



**ANNUAL COMPREHENSIVE  
FINANCIAL REPORT**  
FISCAL YEAR END JUNE 30, 2022





**City of Watsonville, California**

# **ANNUAL COMPREHENSIVE FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Prepared by the Finance Department  
Marissa Duran, Administrative Services Director





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**CITY OF WATSONVILLE, CALIFORNIA**  
**Annual Comprehensive Financial Report**  
**Fiscal Year Ending June 30, 2022**

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# **INTRODUCTORY SECTION**

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# City of Watsonville

"A Community of Opportunities"

December 21, 2022

Honorable Mayor, City Council and Citizens of the City of Watsonville:

## **REPORT PURPOSE AND ORGANIZATION**

We are pleased to present the City of Watsonville's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022. The ACFR is intended to present information above, what is required by generally accepted accounting principles and State law.

The Charter of the City of Watsonville and the State of California law require that all general-purpose local governments publish within six months of the close of the fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (U.S.GAAP). The report should also be audited by an independent firm of certified public accountants (CPA) in accordance with generally accepted government auditing standards (GAGAS). Pursuant to the requirements, we hereby issue the comprehensive annual financial report of the City of Watsonville for the fiscal year ended June 30, 2022.

The ACFR consists of management's representation concerning the finances of the City of Watsonville (City). Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Watsonville's financial statements in conformity to U.S.GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Watsonville's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

## **Audited Financial Statements**

Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Watsonville's financial statements for the fiscal year ending June 30, 2022. A copy of this report is included in page 13 in the Financial Section of this report.

The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2022, are fairly presented in conformity with U.S. GAAP. The independent auditors report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Watsonville also incorporates a broader, federally mandated **Single Audit Uniform Guidance** designed to meet the special needs of federal grantor agencies. The standards governing the Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Watsonville's separately issued Single Audit Report.

GAPP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Watsonville's MD&A can be found immediately following the report of the independent auditors.

## **CITY OF WATSONVILLE PROFILE**

The City of Watsonville was incorporated in 1868 and is located six miles inland from the Monterey Bay in the State of California. The government has a land area of 6.19 square miles and a population of 52,590 people based on US Census 2020 Census.

Watsonville became a charter City government in 1908. Policymaking and legislative authority are vested in the governing City Council, which consists of seven Council Members, one of whom serves as mayor. The mayor is appointed on sequential basis from each of the numbered City Council districts and serves for a term of one year. The council is elected on a non-partisan basis from seven electoral districts. Council members are elected to four-year terms. Elections are staggered with four Council Members elected during one election and three Council Members elected in the following election two years later. The governing City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the government's City Manager, City Clerk, and Attorney. The City Manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the department heads.

## **City Services**

The City of Watsonville provides a full range of services including police and fire protection; water treatment and distribution; solid waste collection and disposal; sanitary sewer collection and treatment; airport facilities; building inspection, planning, economic development, housing rehabilitation, and general government services; library; recreation; parks; street construction and maintenance; and general administration.

The financial reporting entity of the City includes all the funds of the City of Watsonville, as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The Successor Agency of the City of Watsonville Redevelopment Agency's information in this year's financial report is presented separately as part of the fiduciary statements. Additional information can be found on this entity starting on page 93 within the notes to the financial statements.

## **Budgetary Process and Controls**

The annual budget serves as the foundation for the City of Watsonville's financial planning and control. All departments of the City of Watsonville are required to submit requests for appropriations to the government's management on or before March 31 of each fiscal year. The Finance Department uses these requests as a starting point for developing a proposed budget. The Finance Department then presents this proposed budget to the Council for review prior to May 31. The Council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than June 30, the close of the City of Watsonville's fiscal year. The appropriated budget is prepared by fund (i.e. General Fund, Water), department (i.e., police), and division (i.e., investigation).

Department directors may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the special approval of the City Manager. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. The general fund, impact fee fund, housing fund, and redevelopment and housing grants fund comparisons are presented on pages 37 to 41 as part of the basic financial statements for the governmental funds. For governmental funds, other than major funds, with appropriated annual budgets, these comparisons can be found in the governmental fund subsection of this report, which starts on page 106.

## **FACTORS AFFECTING FINANCIAL CONDITON**

The budget for Fiscal Year 2021-22 assumed a return to normalcy with a normal level of revenue growth after the unpredictability of the pandemic. The budget was adopted after almost two years into the pandemic. The General Fund budget assumed a normal level of growth. We did propose to spend down some of our fund balance to fund Ramsay Park. We ended the year essentially flat on our General Fund reserves and we received the second payment of \$9.1 million payments from the American Rescue Plan Act.



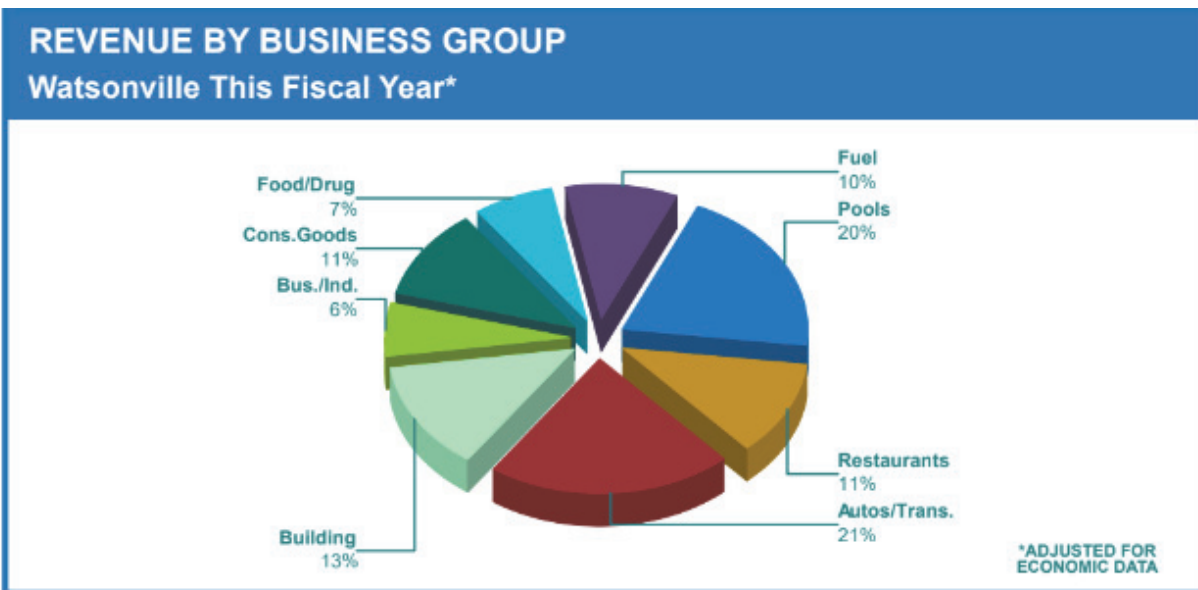
The CPI (Consumer Price Index), is used by the U.S. Bureau of Labor Statistics to measure inflation. The September 2022 CPI-U (Consumer Price index for all Urban Consumers) increased 8.2 percent over the last 12 months. Core CPI (CPI less food and energy) is 6.6 percent compared to 4.0 percent in September 2021. Core CPI represents a more accurate picture of underlying inflation trends since volatile food and energy products are excluded. While the global economic activity remains uncertain, the U.S. Bureau of Labor Statistics' Employment Projections for 2021-2022 shows a projected growth from 158.1 million to 166.5 million over the 2021-31 decade.

### **Local Economy**

After more than two years of alternative methods during the pandemic, we are returning to our new normal. The Watsonville economy fared fairly well despite the pandemic. Watsonville's fiscal year 2021-22 budget assumed a return to normalcy with normal level of revenue growth. Despite the confusion brought by the pandemic, Watsonville was able to end the fiscal year on a positive note, driven by year over year tax increases and responsible spending and savings on the part of our departments.

Property taxes saw an increase of \$810k from FY 2020-2021. Property tax collections in FY 2020-22 were driven by assessments that were set the prior year. We received slightly higher supplemental and transfer taxes than in the prior year to reflect the upturn on turnover of property which is an improvement from what we saw during the height of the pandemic. Lower interest rates in this year also helped with the turnover in properties. The doubling of the 30-year mortgage interest rates to over 6.5% during the latter of calendar year 2022 appears to be reducing the demand to purchase homes. FY 2020-22 saw the opening of a new hotel and several residential and commercial projects in various phases of planning or construction are underway. We expect to see that growth reflected in our property tax base in future years.

Biggest increase continues to be Sales tax revenues. We have recovered very well and are seeing the impacts on inflation on our increased revenue. Auto sales saw some slow down due to low inventory and parts not available to car manufacturers. Another category that saw declines is the building and construction category. Consumers are still spending but they are spending a little less due to the price shock that inflation has caused. Below is a graph that shows the percentage or receipts by category for the Sales tax receipts in FY 2022 (provided by HDL):



Watsonville is a strong and resilient community with a history of doing more with less. We are on a good path and with slow and steady steps we will stay there.

### **Independent Audit**

Each year the City requires an independent annual audit of the City's financial records, the results of its operations, and cash flows. This report includes the opinion of the City's independent auditors, Maze & Associates, for the basic financial statements of the City. In addition, the document also contains the auditors' report on Internal Control over Financial Reporting and on compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.

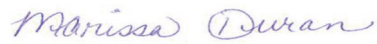
### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Watsonville, California for its annual comprehensive financial report (ACFR) for the fiscal year ending June 30, 2021. This was the twentieth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easy, readable, and efficiently organized ACFR. The report satisfies both U.S. GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR meets the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate. In addition, the City has received the GFOA's Award for Distinguished Budget Presentation for its biennial budget dated June 30, 2021. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including policy documentation, a financial plan and a communication device.

The preparation of this report could not have been accomplished without the efficient and dedicated service of the Finance Department staff. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Ilda Estrada, Accountant II and Patricia Rodriguez, Assistant Finance Manager deserve special recognition for her contribution to the report. The following remaining Finance Staff made this report possible through their dedicated service throughout the fiscal year: Marisa Bermudez, Christine McGrath, Jorge Ortiz, Diana Rivas, and Mary Stepovich. The Mayor and the governing council should also be given due credit for their interest and support in managing the City of Watsonville in a responsible and progressive manner.

Respectfully submitted,



Interim Administrative Services Director



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Watsonville  
California**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2021

*Christopher P. Morill*

Executive Director/CEO

# **City of Watsonville, California**

## **Officers and Officials**

For the Fiscal Year End June 30, 2022

### **City Council:**

Mayor – Eduardo Montesino

Mayor Pro Tempore –Vanessa Quiroz-Carter

Council Member – Maria Orosco

Council Member – Aurelio Gonzalez

Council Member – Krystal Salcido

Council Member – Jimmy Dutra

Council Member – Ari Parker

### **City Officials:**

City Manager – Rene Mendez

City Clerk – Irwin Ortiz

Fire Chief – Rudy Lopez

Interim Administrative Services Director – Marissa Duran

Police Chief – Jorge Zamora

Interim Public Works Director – Tamara Vides

Library Director – Alicia Martinez

Community Development Director – Suzi Merriam

Parks and Community Services Director – Nick Calubaquib

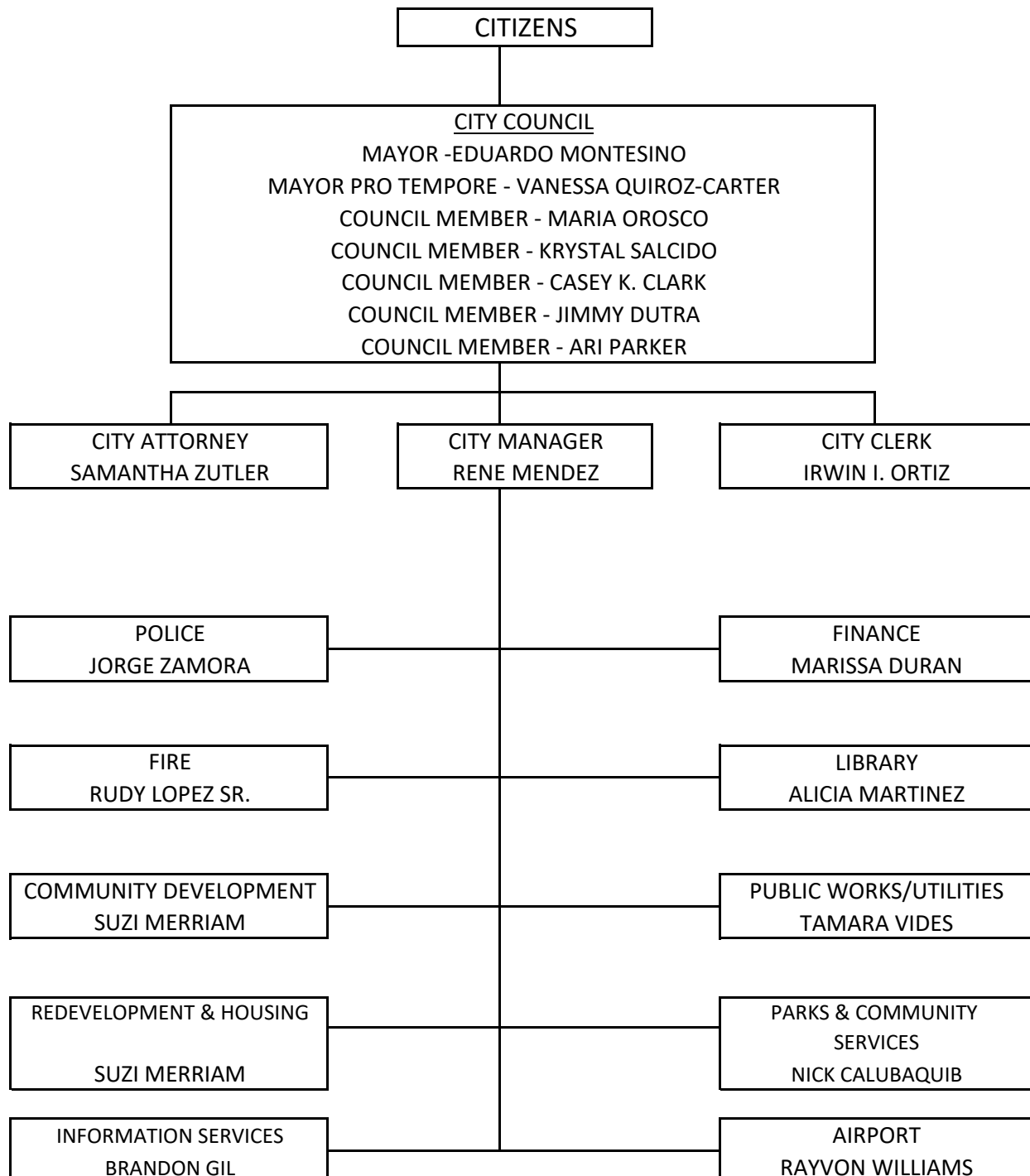
Airport Director – Rayvon Williams



# WATSONVILLE GOVERNING BODY

## ORGANIZATIONAL STRUCTURE

FISCAL YEAR 2021 - 2022



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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council  
City of Watsonville, California

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Watsonville, California (City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed in the Table of Contents as part of the basic financial statements for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Change in Accounting Principles***

Management adopted the provisions of the Governmental Accounting Standards Board Statement No. 87 – Leases, which became effective during the year ended June 30, 2022.

As discussed in Note III-D to the financial statements, the beginning balances of leases receivable and deferred inflows of resources related to leases were restated and increased by \$3,915,100 as of July 1, 2021, as a result, and the net effect on beginning fund balance was zero.

The emphasis of this matter does not constitute a modification to our opinions.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Supplementary Information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section and Statistical Section listed in the Table of Contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Maze & Associates*

Pleasant Hill, California  
December 21, 2022

## **CITY OF WATSONVILLE, CALIFORNIA MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Watsonville, we offer readers of the City of Watsonville's financial statements this narrative overview and analysis of the financial activities of the City of Watsonville for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3 - 8 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### **Financial Highlights**

- The assets of the City of Watsonville exceeded its liabilities at the close of the most recent fiscal year by \$265,027.
- The City's deferred outflow of resources-Pension totaled \$19,211 and its deferred inflow of resources-Pensions totaled \$36,846.
- The City's liabilities totaled \$112,232.
- The City's total net position increased by \$14,624. Governmental activities net position increased by \$5,258 this increase was due to an increase in cash mostly due to Impact Fees and the Library Fund. Business type activities net position increased by \$9,365. Most of this increase was from Water, Sewer and Solid Waste funds ending with positive operating income.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$45,347 an increase of \$2,455 in comparison with the prior fiscal year's balances. The non-spendable portion of the fund balance was \$147, the restricted portion was \$27,354 and the unassigned amount was \$17,846 which is essentially flat from prior fiscal year.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City of Watsonville's basic financial statements. The City of Watsonville's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City of Watsonville's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the City of Watsonville's assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Watsonville is improving or deteriorating overtime.



The *Statement of Activities* presents information showing how the City of Watsonville's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing or related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods (e.g. uncollected taxes).

Both of the government-wide financial statements distinguish functions of the City of Watsonville that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Watsonville include general government, public safety, housing, streets, and culture and recreation. The business-type activities of the City of Watsonville include water, sewer, solid waste, airport, and fiber optic activities.

The government-wide financial statements can be found on pages 30 to 32 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Watsonville, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Watsonville can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluation of a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Watsonville maintains eighteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, impact fees fund, housing fund, redevelopment and housing grants fund, American rescue plan act fund and general debt service fund which are all major funds. Data for the other thirteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Watsonville adopts a biennial budget (one year adopted and one year proposed) for all its governmental funds.

The basic governmental fund financial statements can be found on pages 33 to 37 of this report.

**Proprietary funds.** The City of Watsonville maintains two types of proprietary funds; Enterprise and Internal Service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Watsonville uses enterprise funds to account for Water, Sewer, Solid Waste, Airport and Fiber Optic operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the water, sewer, solid waste, airport and fiber optic operations, all of which are considered to be major funds of the City of Watsonville.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Watsonville's various functions. The City of Watsonville uses an internal service fund to account for insurance activities of the City. The fund predominantly benefits governmental funds rather than business-type functions, and it has been included within governmental activities in the government-wide financial statements. Conversely, the internal service fund is presented in the proprietary funds' financial statements.

The basic proprietary funds financial statements can be found on pages 42 to 44 of this report.

**Fiduciary fund.** Fiduciary funds are used to account for resources held for the benefit of parties' outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Watsonville's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 45 to 46.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 47 to 92 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, required supplementary information, combining statements and schedules referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 102 to 112 of this report.

## **Government-wide Financial Analysis**

**Statement of Net Position.** As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Watsonville, assets exceeded liabilities by \$265,027 at the close of the most recent fiscal year.

By far the largest portion of the City of Watsonville's net position \$207,222 reflects its investment in capital assets (e.g., land, buildings and improvements, machinery, work in progress, and infrastructure) less any related outstanding debt used to acquire those assets. The City of

Watsonville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Watsonville's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Watsonville's net position \$27,012 represent resources that are subject to external restrictions on how they may be used by creditors (such as through debt covenants), grantors, contributions or laws or regulations of other governments. The remaining balance of unrestricted net position \$30,793 is unrestricted and available for next year's operations at the direction of the City Council.

**City of Watsonville's Net Position**  
**June 30, 2022**  
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
	\$	\$	\$	\$	\$	\$
Current and other assets	113,479	98,218	66,399	57,509	179,878	155,727
Capital assets	113,358	111,545	101,659	102,055	215,017	213,600
Total Assets	226,837	209,763	168,058	159,564	394,895	369,327
Deferred outflows of resources	15,666	14,164	3,546	3,625	19,212	17,789
Total Deferred Outflows of Resources	15,666	14,164	3,546	3,625	19,212	17,789
Long-term liabilities outstanding	49,209	72,530	26,228	37,103	75,437	109,633
Other Liabilities	32,620	20,630	4,175	4,412	36,795	25,042
Total Liabilities	81,829	93,160	30,403	41,515	112,232	134,675
Deferred inflows of resources	26,558	1,910	10,288	128	36,846	2,038
Total Deferred Outflows of Resources	26,558	1,910	10,288	128	36,846	2,038
Net Position:						
Net Investment in capital assets	111,205	108,607	96,016	93,904	207,221	202,511
Restricted	27,012	24,412	-	-	27,012	24,412
Unrestricted	(4,102)	(4,162)	34,895	27,642	30,793	23,480
Total Net Position	134,115	128,857	130,911	121,546	265,026	250,403

At the end of the current fiscal year, the City of Watsonville is able to report positive balances in net investment in capital assets and restricted net position for the government as a whole.

**City of Watsonville**  
**Summary of Changes in Net Position**  
**For the Fiscal Year Ending June 30, 2022**  
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
	\$	\$	\$	\$	\$	\$
Revenues:						
Program Revenues:						
Charges for services	12,170	11,338	56,327	56,355	68,497	67,693
Operating grants and contributions	3,541	5,100	(20)	732	3,521	5,832
Capital grants and contributions	-	-	488	107	488	107
General Revenues						
Property taxes	16,977	16,169			16,977	16,169
Other taxes	34,436	30,834			34,436	30,834
Others	2,857	2,531	1,535	1,344	4,392	3,875
Total Revenues and Transfers	69,981	65,972	58,330	58,538	128,311	124,510
Expenses:						
General government	12,246	8,599		-	12,246	8,599
Public safety	33,149	35,608		-	33,149	35,608
Housing	3,256	429		-	3,256	429
Streets	6,050	8,652		-	6,050	8,652
Culture and recreation	10,264	9,201		-	10,264	9,201
Interest on debt	42	123	64	44	106	167
Water	-	-	16,095	15,960	16,095	15,960
Sewer	-	-	13,633	14,190	13,633	14,190
Solid waste	-	-	14,355	19,189	14,355	19,189
Airport	-	-	4,470	4,235	4,470	4,235
Fiber optic	-	-	64	69	64	69
Total Expenses	65,007	62,612	48,681	53,687	113,688	116,299
Increase in net position before transfers	4,974	3,360	9,649	4,851	14,623	8,211
Internal balances	284	245	(284)	(245)	-	-
Change in net position	5,258	3,605	9,365	4,606	14,623	8,211
Net position - beginning	128,857	125,175	121,546	116,940	250,404	242,115
Prior year adjustments	-	77		-	77	77
Net position - beginning restated	128,857	125,252	121,546	116,940	250,480	242,192
Net position ending	134,115	128,857	130,911	121,546	265,103	250,403

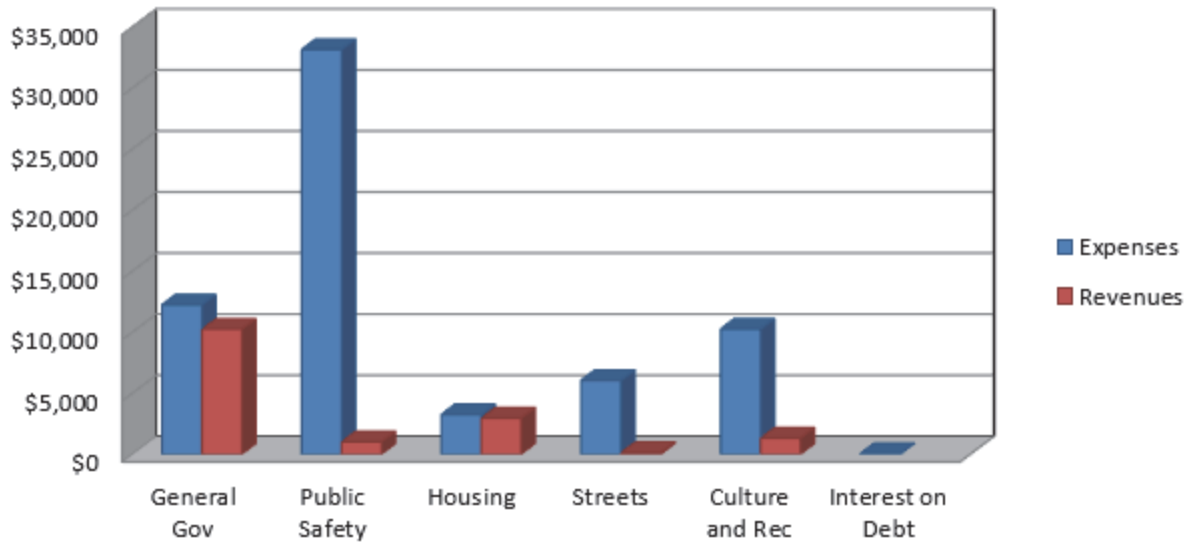
**Governmental Activities.** Governmental activities increased the City of Watsonville's Net Position by a \$5,258. Key elements of this increase are as follows:

- Governmental revenues saw increases in Sales Tax at about \$2,000. There were very minimal increases in other tax categories and charges for services were relatively flat offset by increases in grants and contributions.
- Governmental spending decreased by \$5,929 primarily in the area of general government and streets. The decrease in spending is primarily due to less grant revenues to complete street projects and the moving of the Municipal Service Center services to the Solid Waste Fund as they mostly serve that division.

# For the fiscal year ending June 30, 2022

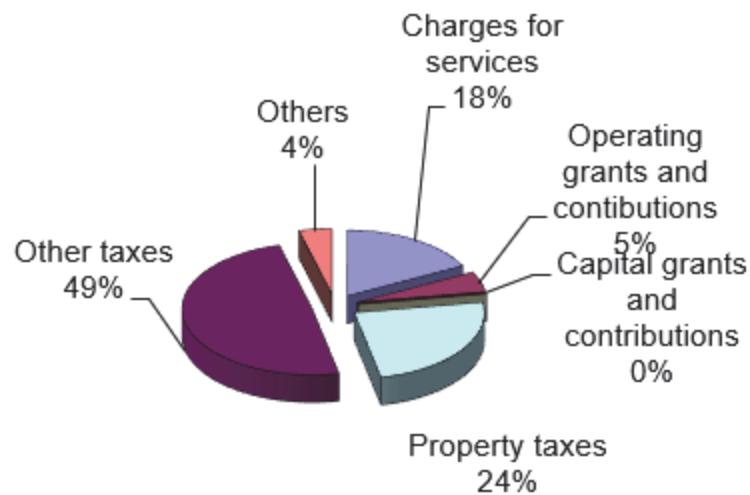
## Expenses and Program Revenues

### Governmental Activities



## Revenues by Source

### Governmental Activities

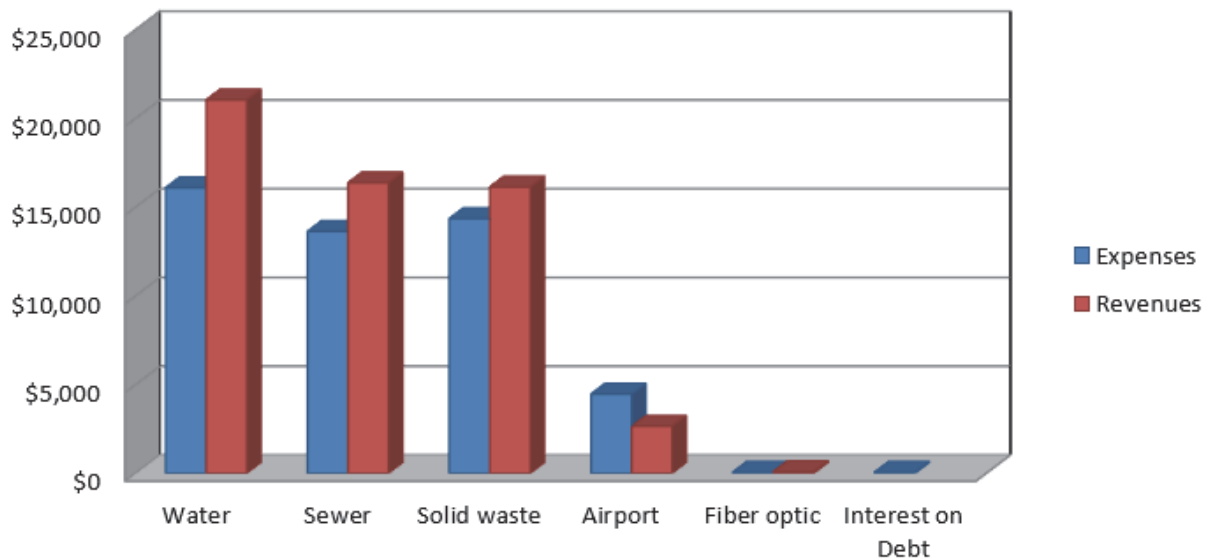


**Business-type activities.** Business-type activities increased the City of Watsonville's net position by \$9,365. Key elements of this increase are as follows:

## For the fiscal year ending June 30, 2022

### Expenses and Program Revenues

#### Business-type Activities

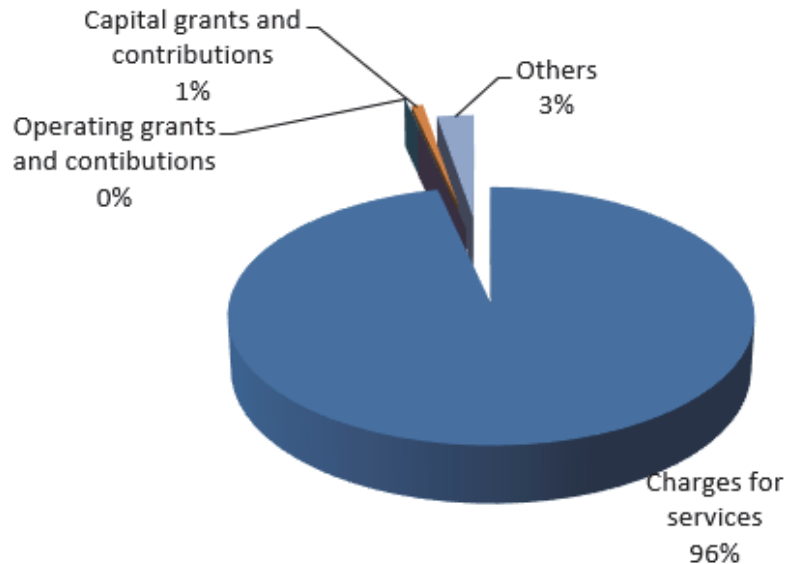


- Charges for services were essentially flat in comparison to last fiscal year, other revenues decreased by \$4628.
- Water had an increase in revenues mostly due to two large construction projects paying their water permit fees and the decrease in spending mostly due less capital spending a decrease in pension obligation. The Solid Waste had decrease in operating costs as of the fiscal year end mostly due to the division of Municipal Services moving to their own Internal Service Fund and an increase in their pension obligation.

## For the fiscal year ending June 30, 2022

### Revenues by Source

#### Business-type Activities



#### Financial Analysis of the City of Watsonville's Funds

As noted earlier, the City of Watsonville uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City of Watsonville's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Watsonville's financing requirements. In particular, restricted fund balances for specific purposes may serve as a useful measure of a government's net resources available for spending on various activities at the end of the fiscal year.

As of the end of the current fiscal year, the City of Watsonville's governmental funds reported combined ending fund balances of \$45,347, an increase of \$2,455 in comparison with the prior year. The largest portion of fund balances is restricted for specific purposes and the largest restricted portion is for impact fees in the amount of \$8,149. This balance is for projects that have been budgeted, planned or will be completed within the next five years. The remainders of fund balances are either non-spendable or unassigned at year end. The non-spendable portion of fund balances represents the amounts of funds that cannot be spent because they are either not in spendable form or legally required to remain intact. Unassigned fund balances represent amounts which are unconstrained in that they may be spent for any purpose.

The *General Fund* is the chief operating fund of the City of Watsonville. At the end of the current fiscal year, the charter reserve of the General Fund was \$2,450. As a measure of the General Fund's liquidity, it may be useful to compare both the charter reserve and total fund balance to total fund expenditures. The City's General Fund Reserve met the Charter Reserve this fiscal year end. The required Charter Reserve fund balance would be 5.1 percent of total general fund expenditures; the total fund balance represented 34 percent of the same amount.

The fund balance of the City of Watsonville's General Fund decreased by \$42 during the current year largely due to the City having to write down the LAIF Investment fund to market, which was about \$1 M write down.

The changes in Governmental Fund balance can be attributed to:

The General Fund increase in fund balance was from increases in various revenue types, such as, sales tax and property tax in lieu of vehicle license fees, decrease in operating costs from a controlled spending initiative.

The Impact Fees Fund had a fund balance of \$8,256 an increase of \$744 over the prior year's fund balance. This increase was due to new revenues and saving for future projects in fund balance.

The Housing Fund had a fund balance of \$3,475, an increase of \$84 over the prior year's fund balance. This increase is due to a new loan issued during the fiscal year.

The Redevelopment and Housing Grants Fund has a fund balance of \$354, a decrease of \$6 from the negative beginning fund balance. This decrease is the result of loans processed.

The government's Debt Service Fund had a fund balance of \$246, a decrease of \$1 during the fiscal year.

**Proprietary funds.** The City of Watsonville's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net position and changes of net position for the five major enterprise funds are as follows:

#### **Proprietary Funds Change of Net Position**

<b>Fund</b>	<b>FY 2022</b>	<b>FY 2021</b>	<b>Change</b>	<b>% Change</b>
Water	66,874	61,793	5,081	8.22%
Sewer	47,378	44,420	2,958	6.66%
Solid Waste	7,085	5,326	1,759	33.03%
Airport	9,013	9,449	(436)	-4.61%
Fiber Optic	562	558	4	0.72%
<b>Totals</b>	<b>130,912</b>	<b>121,546</b>	<b>9,366</b>	<b>7.71%</b>

Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Watsonville's business-type activities.



## General Fund Budgetary Highlights

There were several budget amendments this fiscal year. The fiscal year 21-22 was developed when the City was seeing return to normalcy from the COVID pandemic. Budget assumptions and predictions were the new normal. During the February 2022 mid-year Council meeting \$705,000 budget amendments were approved. Most of the increases were for increase in costs due to inflationary pressures, such as fuel and electricity costs. Also, additional \$580,000 was approved for Fire Department who was responding to mutual aid.

Tax revenues were \$2,048 over budget. The majority was due to Sales Tax revenues coming in \$1,328 over budget. This increase was mainly due to impacts on inflation. Miscellaneous revenues were over budget by \$533. Most of this increase was due to reimbursements from the County for Watsonville locations provided for vaccinations sites.

## Capital Asset and Debt Administration

**Capital assets.** The City of Watsonville's capital assets, for its governmental and business type activities as of June 30, 2022 was \$215,017 (net of depreciation). This represents a \$1,418 increase from the prior year or 0.66%.

### Total City of Watsonville Capital Assets FY 2021-22

Capital Asset	FY 2022	FY 2021	Change	% Change
Land	31,239	31,239	-	0.00%
Building and Improvements	120,949	124,979	(4,030)	-3.22%
Machinery & Equipment	13,525	14,290	(765)	-5.35%
Infrastructure	34,983	33,594	1,389	4.13%
Construction in progress	14,321	9,497	4,824	50.79%
Totals	215,017	213,599	1,418	0.66%

Governmental Type Activities increase by 1.63% due to the additional projects in progress.

### Governmental Activities Capital Assets FY 2021-22

Capital Asset	FY 2022	FY 2021	Change	% Change
Land	16,468	16,468	-	0.00%
Building and Improvements	69,678	73,202	(3,524)	-4.81%
Machinery & Equipment	4,862	5,539	(677)	-12.22%
Infrastructure	13,715	11,578	2,137	18.46%
Construction in progress	8,635	4,758	3,877	81.48%
Totals	113,358	111,545	1,813	1.63%

While Business Type Activities decreased by 0.39% due to depreciation outpacing additions.

#### **Business Type Activities Capital Assets FY 2021-22**

<b>Capital Asset</b>	<b>FY 2022</b>	<b>FY 2021</b>	<b>Change</b>	<b>% Change</b>
Land	14,771	14,771	-	0.00%
Building and Improvements	51,271	51,777	(506)	-0.98%
Machinery & Equipment	8,663	8,751	(88)	-1.01%
Infrastructure	21,268	22,016	(748)	-3.40%
Construction in progress	5,686	4,739	947	19.98%
Totals	101,659	102,054	(395)	-0.39%

Additional information on the City of Watsonville's capital assets can be found in Note 4 on pages 60 to 61 of this report.

**Long-Term Debt.** At the end of the current fiscal year, the City of Watsonville had total net debt outstanding of \$77,188. The debt for governmental activities is made up of notes payable of \$2,153, net OPEB liability of \$3,631, compensated absences of \$2,192, and net pension liability of \$42,145. Business type activities have \$1,877 in notes payable, \$5,494 in a loan, net OPEB liability of \$1,405, compensated absences of \$1,031, net pension liability of \$13,580 and landfill closure/post closure liability of \$3,680.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limit for the City of Watsonville is \$184,141 which is significantly in excess of the City of Watsonville's outstanding debt subject to this limit.

Additional information on the City of Watsonville's long-term debt can be found on page 5 of this report.

#### **Economic Factors and Next Year's Budget**

- Budget will include using of the American Rescue Plan Act allocation.
- Less growth in charges for services than prior years in the proprietary funds due to the delay of an anticipated rate increase.
- In non-General Fund departments, you will see the same cautious growth assumptions, consistent with the revenue activity we have experienced and assumed for the General Fund.
- Taking advantage of healthy fund balances to move much needed capital and infrastructure projects.
- Continued and accelerated increases in PERS contributions.

After several years of improving position Watsonville appears poised to weather the immediate impacts. As we emerge from the pandemic and turn our attention to helping the community recover. Watsonville was fortunate to receive \$18.2 million in direct funding as part of the American Rescue Plan Act (ARPA). The 2021-23 Biennial Budget utilized limited amount of ARPA funding for restoring those departments hardest hit by the pandemic. The ARPA funding plan will include opportunities for community input and will prioritize areas of greatest community need. We still face ever increasing PERS contributions and have a large pent up demand for capital investments. Watsonville will have to act cautiously to balance increasing expenditure pressure with what is likely to be several years of flatter revenue growth than we have recently experienced.

The City was successful in passing a new transaction and use tax. This new tax measure will be used to meet community goals. The tax enables the City to invest in repair and expansion of aging parks, playgrounds and trails; creating safe place for kids, maintaining after-school and gang prevention programs, fixing potholes and maintaining streets; expanding library access and services for seniors; and creating employment opportunities. Watsonville has an opportunity to reset, restructure, and rebuild the budget in ways that we meet community goals, without recreating structural deficits.

All of these factors will be taken into consideration during the preparation of the City of Watsonville's annual budget for the fiscal year 2022-23.

### **Request for Information**

This financial report is designed to provide a general overview of the City of Watsonville's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administrative Services Director, City of Watsonville, and 250 Main Street, Watsonville, CA 95076.

# **BASIC FINANCIAL STATEMENTS**

**CITY OF WATSONVILLE, CALIFORNIA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
	\$	\$	\$
<b>ASSETS</b>			
Cash and investments	74,836,089	52,184,987	127,021,076
Restricted cash	-	1,728,614	1,728,614
Receivables:			
Interest	2,354,090	-	2,354,090
Taxes	5,490,562	-	5,490,562
Accounts	2,873,083	5,836,317	8,709,400
Intergovernmental	3,620,569	112,702	3,733,271
Internal balances	(2,221,401)	2,221,401	-
Loans receivable	26,048,985	393,319	26,442,304
Inventories	266,850	342,505	609,355
Deposits	60,000	-	60,000
Land held for resale	150,000	-	150,000
Leases receivable	-	3,578,927	3,578,927
Capital assets (net of depreciation, where applicable):			
Land	16,467,923	14,771,215	31,239,138
Construction in progress	8,635,424	5,685,774	14,321,198
Buildings and Improvements	69,678,325	51,271,116	120,949,441
Machinery and equipment	4,862,368	8,663,255	13,525,623
Infrastructure	13,714,557	21,267,584	34,982,141
Total Assets	226,837,424	168,057,716	394,895,140
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflow of resources - Pensions	15,665,594	3,545,714	19,211,308
Total Deferred Outflow of Resources	15,665,594	3,545,714	19,211,308

Continued

See accompanying notes to financial statements

**CITY OF WATSONVILLE, CALIFORNIA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
	\$	\$	\$
<b>LIABILITIES</b>			
Accounts payable	3,299,491	2,122,910	5,422,401
Accrued personnel costs	2,449,993	1,043,737	3,493,730
Insurance claims payable	3,792,529	-	3,792,529
Interest payable	12,273	-	12,273
Retentions payable	122,672	18,929	141,601
Unearned revenue	20,145,870	85,322	20,231,192
Deposits payable	1,884,931	65,076	1,950,007
Noncurrent liabilities			
Due within one year	912,633	839,745	1,752,378
Due in more than one year	49,208,853	26,227,716	75,436,569
Total Liabilities	81,829,245	30,403,435	112,232,680
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Leases related	-	3,541,687	3,541,687
Deferred inflows of resources - pensions	26,558,145	6,746,656	33,304,801
Total Deferred Inflows of Resources	26,558,145	10,288,343	36,846,488
<b>NET POSITION</b>			
Net investment in capital assets	111,205,375	96,016,459	207,221,834
Restricted for:			
Debt service	245,989	-	245,989
Impact fee	8,149,285	-	8,149,285
Housing	3,475,432	-	3,475,432
Grants, contributions & fees for specific purpose	15,141,602	-	15,141,602
Unrestricted	(4,102,055)	34,895,193	30,793,138
Total Net Position	134,115,628	130,911,652	265,027,280
			Concluded

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Functions/Programs	Program Revenues				Primary Government		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary Government:	\$	\$	\$	\$	\$	\$	\$
Governmental activities:							
General government	12,246,164	9,420,347	827,562	-	(1,998,255)	-	(1,998,255)
Public safety	33,148,975	777,087	253,587	-	(32,118,301)	-	(32,118,301)
Housing	3,255,731	1,269,226	1,696,301	-	(290,204)	-	(290,204)
Streets	6,050,361	34,633	103,027	-	(5,912,701)	-	(5,912,701)
Culture and recreation	10,263,815	668,625	660,908	-	(8,934,282)	-	(8,934,282)
Interest on long term debt	41,701	-	-	-	(41,701)	63,625	(105,326)
Total governmental activities	65,006,747	12,169,918	3,541,385	-	(49,295,444)	63,625	(49,359,069)
Business-type activities:							
Water	16,094,802	21,044,726	-	88,922	-	5,038,846	5,038,846
Sewer	13,633,454	16,365,977	5,052	399,911	-	3,137,486	3,137,486
Solid Waste	14,354,900	16,115,767	21,249	-	-	1,782,116	1,782,116
Airport	4,469,655	2,659,206	-	-	-	(1,810,449)	(1,810,449)
Fiber Optic	64,239	94,808	-	-	-	30,569	30,569
Total business-type activities	48,617,050	56,280,484	26,301	488,833	-	8,178,568	8,178,568
Total primary government	113,623,797	68,450,402	3,567,686	488,833	(49,295,444)	8,114,943	(41,180,501)
General revenues:							
Property taxes					16,977,124	-	16,977,124
Sales taxes					24,407,959	-	24,407,959
Utility users taxes					4,144,043	-	4,144,043
Franchise taxes					538,424	-	538,424
Other taxes					3,617,684	-	3,617,684
Intergovernmental revenues not restricted to specific program					1,726,996	-	1,726,996
Unrestricted investment earnings					2,857,336	239,149	3,096,485
Other revenue					-	1,295,988	1,295,988
Transfers					284,292	(284,292)	-
Total general revenues and transfers					54,553,858	1,250,845	55,804,703
Change in net position					5,258,414	9,365,788	14,624,202
Net position - beginning					128,857,214	121,545,864	250,403,078
Net position - ending					134,115,628	130,911,652	265,027,280

See accompanying notes to financial statements

CITY OF WATSONVILLE, CALIFORNIA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2022

	SPECIAL REVENUE FUNDS							TOTAL GOVERNMENTAL FUNDS
	GENERAL	IMPACT FEES	HOUSING	REDEVELOPMENT AND HOUSING GRANTS	AMERICAN RESCUE PLAN ACT	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	
	\$	\$	\$	\$	\$	\$	\$	\$
<b>ASSETS:</b>								
Cash and investments	21,927,988	8,371,662	3,343,360	2,836,458	17,863,042	245,989	14,151,421	68,739,920
Receivables:								
Interest	138,619	-	801,298	1,223,800	-	-	190,373	2,354,090
Taxes	3,914,301	-	-	-	-	-	1,576,261	5,490,562
Accounts	2,024,890	9,150	2,000	-	-	-	363,376	2,399,416
Intergovernmental	2,854,378	-	-	462,960	-	-	303,231	3,620,569
Due from other funds	843,485	-	-	-	-	-	-	843,485
Advances receivable	-	106,344	-	-	-	-	40,674	147,018
Loans receivable	1,423,779	-	10,782,657	12,183,943	-	-	1,658,606	26,048,985
Land held for resale	-	-	150,000	-	-	-	-	150,000
<b>Total Assets</b>	<b>33,127,440</b>	<b>8,487,156</b>	<b>15,079,315</b>	<b>16,707,161</b>	<b>17,863,042</b>	<b>245,989</b>	<b>18,283,942</b>	<b>109,794,045</b>
<b>LIABILITIES:</b>								
Accounts payable	1,686,110	231,527	81	900	164,152	-	759,353	2,842,123
Accrued personnel costs	2,008,985	-	19,682	18,661	7,670	-	185,985	2,240,983
Retentions payable	105,311	-	-	10,526	-	-	-	115,837
Due to other funds	-	-	-	462,295	-	-	381,190	843,485
Advances payable	2,368,419	-	-	-	-	-	-	2,368,419
Unearned revenue	-	-	-	2,453,420	17,691,220	-	1,230	20,145,870
Deposits payable	1,884,460	-	471	-	-	-	-	1,884,931
<b>Total Liabilities</b>	<b>8,053,285</b>	<b>231,527</b>	<b>20,234</b>	<b>2,945,802</b>	<b>17,863,042</b>	<b>-</b>	<b>1,327,758</b>	<b>30,441,648</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable revenue	6,846,046	-	11,583,649	13,407,743	-	-	2,168,198	34,005,636
<b>Total Deferred Inflows of Resources</b>	<b>6,846,046</b>	<b>-</b>	<b>11,583,649</b>	<b>13,407,743</b>	<b>-</b>	<b>-</b>	<b>2,168,198</b>	<b>34,005,636</b>
<b>FUND BALANCES:</b>								
Nonspendable:								
Advances receivable	-	106,344	-	-	-	-	40,674	147,018
Restricted for:								
Debt service	-	-	-	-	-	245,989	-	245,989
Streets - Impact fees	-	8,149,285	-	-	-	-	-	8,149,285
Housing	-	-	3,475,432	353,616	-	-	-	3,829,048
Public safety - Narcotics assets seizure	-	-	-	-	-	-	186,702	186,702
Housing - Business development	-	-	-	-	-	-	207,271	207,271
Housing - Economic development	-	-	-	-	-	-	28,410	28,410
Cultural and recreation - Library	-	-	-	-	-	-	1,959,259	1,959,259
Cultural and recreation - Parks development	-	-	-	-	-	-	2,216,541	2,216,541
General government - Retirement tax	-	-	-	-	-	-	527,755	527,755
Public safety - Measure G/Y	-	-	-	-	-	-	3,493,665	3,493,665
Public safety - Abandoned vehicle	-	-	-	-	-	-	22,082	22,082
Housing - Inclusionary housing	-	-	-	-	-	-	161,329	161,329
Streets - SB1 Gas tax	-	-	-	-	-	-	2,760,545	2,760,545
Streets - Measure D	-	-	-	-	-	-	3,565,669	3,565,669
Unassigned	18,228,109	-	-	-	-	-	(381,916)	17,846,193
<b>Total Fund Balances</b>	<b>18,228,109</b>	<b>8,255,629</b>	<b>3,475,432</b>	<b>353,616</b>	<b>-</b>	<b>245,989</b>	<b>14,787,986</b>	<b>45,346,761</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>33,127,440</b>	<b>8,487,156</b>	<b>15,079,315</b>	<b>16,707,161</b>	<b>17,863,042</b>	<b>245,989</b>	<b>18,283,942</b>	<b>109,794,045</b>

See accompanying notes to financial statements



**CITY OF WATSONVILLE, CALIFORNIA**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

Amounts reported for governmental activities in the Statement of Net Position are different from those reported in the governmental funds because:	\$
Fund balances of governmental funds	45,346,761
Capital assets (gross) used in Governmental Activities are not financial resources and, therefore, are not reported in the governmental funds.	220,979,483
Accumulated depreciation has not been included in the governmental funds financial statements.	(107,652,441)
The internal service fund is used by management to charge the costs of insurance to individual governmental funds. The net current assets and liabilities of the internal service fund are included in Governmental Activities on the Statement of Net Position.	(610,542)
Loans and intergovernmental receivables recorded as unavailable revenue in the governmental funds are recorded as revenue on the Statement of Activities.	34,005,636
Interest payable is not due and payable in the current period and therefore, not reported in governmental funds.	(12,273)
Long-term liabilities are not due and payable in the current period and therefore, not reported in governmental funds.	(47,608,386)
Deferred outflows and inflows of resources relating to pensions: in governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the Statement of Net Position, deferred outflows and inflows of resources relating to pensions are reported.	
Deferred outflows of resources relating to pensions	15,054,047
Deferred inflows of resources relating to pensions	(25,386,657)
Total Net Position - Governmental Activities	134,115,628

See accompanying notes to financial statements

**CITY OF WATSONVILLE, CALIFORNIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	SPECIAL REVENUE FUNDS							
	GENERAL	IMPACT FEES	HOUSING	REDEVELOPMENT AND HOUSING GRANTS	AMERICAN RESCUE PLAN ACT	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES:								
Taxes	34,344,898	-	-	-	-	-	15,348,141	49,693,039
Licenses, permits, and fees	3,373,571	1,810,228	-	-	-	-	663,742	5,847,541
Intergovernmental	2,472,809	-	-	1,474,652	514,850	-	1,273,059	5,735,370
Charges for services	3,500,499	-	-	-	-	-	22,247	3,522,746
Fines	592,760	-	-	-	-	-	-	592,760
Interest	2,731,729	29,432	33,127	3,389	-	-	46,366	2,844,043
Miscellaneous	2,194,199	-	1,250,409	98,516	-	-	242,225	3,785,349
Total revenues	49,210,465	1,839,660	1,283,536	1,576,557	514,850	-	17,595,780	72,020,848
EXPENDITURES:								
Current:								
General government	13,551,227	-	-	-	514,850	-	196,288	14,262,365
Public safety	28,203,017	-	-	-	-	-	5,341,143	33,544,160
Housing	-	-	1,284,241	1,298,738	-	-	473,532	3,056,511
Streets	5,170,149	1,091,475	-	-	-	-	2,508,626	8,770,250
Culture and recreation	6,028,429	-	-	-	-	-	3,354,451	9,382,880
Debt service:								
Principal	-	-	-	-	-	784,640	-	784,640
Interest and fiscal charges	-	-	-	-	-	48,890	-	48,890
Total expenditures	52,952,822	1,091,475	1,284,241	1,298,738	514,850	833,530	11,874,040	69,849,696
Excess (deficiency) of revenues over (under) expenditures	(3,742,357)	748,185	(705)	277,819	-	(833,530)	5,721,740	2,171,152
OTHER FINANCING SOURCES (USES)								
Transfers in	3,783,286	-	85,381	-	-	832,761	93,195	4,794,623
Transfers out	(83,777)	(5,000)	-	(283,934)	-	-	(4,137,620)	(4,510,331)
Total other financing sources (uses)	3,699,509	(5,000)	85,381	(283,934)	-	832,761	(4,044,425)	284,292
Net change in fund balances	(42,848)	743,185	84,676	(6,115)	-	(769)	1,677,315	2,455,444
Fund balances, July 1	18,270,957	7,512,444	3,390,756	359,731	-	246,758	13,110,671	42,891,317
Fund balances, June 30	18,228,109	8,255,629	3,475,432	353,616	-	245,989	14,787,986	45,346,761

See accompanying notes to financial statements

**CITY OF WATSONVILLE, CALIFORNIA**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	<u>\$</u>
Amounts reported for governmental activities in the statement of activities are different because of the following:	
Net Change In Fund Balance - Total Governmental Funds	2,455,444
Capital Assets Transactions	
Governmental Funds report capital outlay as expenditures However, the cost of those assets is capitalized in the Statement of Activities and allocated over their estimated useful lives and reported as depreciation expense.	
The capital outlay expenditures are therefore added back to fund balance	7,462,894
Depreciation expense is deducted from the fund balance	(5,680,736)
Long-Term Debt Proceeds and Payments	
Debt and lease proceeds provide current financial resources to Governmental Funds but increases long-term liabilities in the Statement of Net Position. The repayment of the principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.	
Repayment of debt principal is added back to fund balance	784,640
Interest accrued to principal is deducted from fund balance	7,189
Accrual of Non-Current Items	
The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):	
Compensated Absences	192,084
Net pension liabilities and pension-related deferred outflows/inflows of resources	3,889,614
Net OPEB liability	(1,613,516)
Unavailable revenue	(199,220)
Internal Service Funds Are Used By Management To Charge The Costs Of Insurance To Individual Funds.	<u>(2,039,979)</u>
Change In Net Position Of Governmental Funds	<u>5,258,414</u>

See accompanying notes to financial statements

**CITY OF WATSONVILLE, CALIFORNIA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
	\$	\$	\$	\$
<b>REVENUES:</b>				
Taxes	32,296,474	34,344,898	34,344,898	-
Licenses, permits, and fees	2,478,051	3,373,571	3,373,571	-
Intergovernmental	6,152,261	2,472,809	2,472,809	-
Charges for services	4,689,636	3,500,499	3,500,499	-
Fines	657,488	592,760	592,760	-
Interest	2,733,979	2,733,979	2,731,729	(2,250)
Miscellaneous	1,661,117	2,194,199	2,194,199	-
Total revenues	50,669,006	49,212,715	49,210,465	(2,250)
<b>EXPENDITURES:</b>				
Current:				
General government	16,857,522	13,551,227	13,551,227	-
Public safety	27,798,034	28,832,501	28,203,017	629,484
Streets	5,810,488	5,170,149	5,170,149	-
Culture and recreation	7,154,219	6,028,429	6,028,429	-
Total expenditures	57,620,263	53,582,306	52,952,822	629,484
Excess (deficiency) of revenues over (under) expenditures	(6,951,257)	(4,369,591)	(3,742,357)	627,234
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	4,366,465	4,014,827	3,783,286	(231,541)
Transfers out	(273,391)	(315,318)	(83,777)	231,541
Total other financing sources (uses)	4,093,074	3,699,509	3,699,509	-
Net change in fund balance	(2,858,183)	(670,082)	(42,848)	627,234
Fund balance, July 1	18,270,957	18,270,957	18,270,957	-
Fund balance, June 30	15,412,774	17,600,875	18,228,109	627,234

See accompanying notes to financial statements

**CITY OF WATSONVILLE, CALIFORNIA**  
**IMPACT FEES FUND**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
	\$	\$	\$	\$
REVENUES:				
Licenses, permits, and fees	1,791,649	1,791,649	1,810,228	18,579
Interest	29,430	29,430	29,432	2
Miscellaneous	-	-	-	-
Total revenues	1,821,079	1,821,079	1,839,660	18,581
EXPENDITURES:				
Current:				
Streets	1,091,475	1,091,475	1,091,475	-
Total expenditures	1,091,475	1,091,475	1,091,475	-
Excess (deficiency) of revenues over (under) expenditures	729,604	729,604	748,185	18,581
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(5,000)	(5,000)	(5,000)	-
Total other financing sources (uses)	(5,000)	(5,000)	(5,000)	-
Net change in fund balance	724,604	724,604	743,185	18,581
Fund balance, July 1	7,512,444	7,512,444	7,512,444	-
Fund balance, June 30	8,237,048	8,237,048	8,255,629	18,581

See accompanying notes to financial statements

**CITY OF WATSONVILLE, CALIFORNIA**  
**HOUSING FUND**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
	\$	\$	\$	\$
REVENUES:				
Interest	33,130	33,130	33,127	(3)
Miscellaneous	1,250,409	1,250,409	1,250,409	-
Total revenues	1,283,539	1,283,539	1,283,536	(3)
EXPENDITURES:				
Current:				
Housing	1,284,241	1,284,241	1,284,241	-
Total expenditures	1,284,241	1,284,241	1,284,241	-
Excess (deficiency) of revenues over (under) expenditures	(702)	(702)	(705)	(3)
OTHER FINANCING SOURCES (USES)				
Transfers In	85,381	85,381	85,381	-
Total other financing sources (uses)	85,381	85,381	85,381	-
Net change in fund balance	84,679	84,679	84,676	(3)
Fund balance, July 1	3,390,756	3,390,756	3,390,756	-
Fund balance, June 30	3,475,435	3,475,435	3,475,432	(3)

See accompanying notes to financial statements

**CITY OF WATSONVILLE, CALIFORNIA**  
**REDEVELOPMENT AND HOUSING GRANTS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
	\$	\$	\$	\$
REVENUES:				
Intergovernmental	1,573,168	1,573,168	1,573,168	-
Interest	3,389	3,389	3,389	-
Total revenues	<u>1,576,557</u>	<u>1,576,557</u>	<u>1,576,557</u>	<u>-</u>
EXPENDITURES:				
Housing	<u>1,298,738</u>	<u>1,298,738</u>	<u>1,298,738</u>	<u>-</u>
Total expenditures	<u>1,298,738</u>	<u>1,298,738</u>	<u>1,298,738</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>277,819</u>	<u>277,819</u>	<u>277,819</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
Transfers (out)	<u>(283,934)</u>	<u>(283,934)</u>	<u>(283,934)</u>	<u>-</u>
Total other financing sources (uses)	<u>(283,934)</u>	<u>(283,934)</u>	<u>(283,934)</u>	<u>-</u>
Net change in fund balance	<u>(6,115)</u>	<u>(6,115)</u>	<u>(6,115)</u>	<u>-</u>
Fund balance, July 1	<u>359,731</u>	<u>359,731</u>	<u>359,731</u>	<u>-</u>
Fund balance, June 30	<u><u>353,616</u></u>	<u><u>353,616</u></u>	<u><u>353,616</u></u>	<u><u>-</u></u>

See accompanying notes to financial statements

**CITY OF WATSONVILLE, CALIFORNIA**  
**AMERICAN RESCUE PLAN ACT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
	\$	\$	\$	\$
REVENUES:				
Intergovernmental	514,850	514,850	514,850	-
Total revenues	514,850	514,850	514,850	-
EXPENDITURES:				
General Government	514,850	514,850	514,850	-
Total expenditures	514,850	514,850	514,850	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance, July 1	-	-	-	-
Fund balance, June 30	-	-	-	-

See accompanying notes to financial statements



**CITY OF WATSONVILLE, CALIFORNIA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund
	WATER	SEWER	SOLID WASTE	AIRPORT	FIBER OPTIC	TOTALS	
	\$	\$	\$	\$	\$	\$	\$
<b>ASSETS</b>							
Current Assets:							
Cash and investments	28,121,135	14,183,328	9,429,654	358,606	92,264	52,184,987	6,096,169
Restricted cash	-	1,019,050	709,564	-	-	1,728,614	-
Receivables:							
Accounts	1,771,114	3,039,864	952,753	68,166	4,420	5,836,317	473,667
Intergovernmental	-	-	2,581	110,121	-	112,702	-
Loans receivable	-	393,319	-	-	-	393,319	-
Deposits	-	-	-	-	-	-	60,000
Inventories	215,874	-	25,461	101,170	-	342,505	266,850
<b>Total Current Assets</b>	<b>30,108,123</b>	<b>18,635,561</b>	<b>11,120,013</b>	<b>638,063</b>	<b>96,684</b>	<b>60,598,444</b>	<b>6,896,686</b>
Noncurrent Assets:							
Advances receivable	1,956,182	184,944	80,275	-	-	2,221,401	-
Leases receivable	-	-	-	3,357,255	221,672	3,578,927	-
Capital assets:							
Land and improvements	259,333	8,375,598	1,769,401	4,366,883	-	14,771,215	-
Construction in progress	3,839,090	1,813,737	32,947	-	-	5,685,774	-
Buildings	49,626,108	30,905,407	2,289,649	9,160,742	-	91,981,906	-
Machinery and equipment	7,261,390	6,978,332	12,543,857	441,365	-	27,224,944	33,910
Infrastructure	13,830,163	48,245,492	76,916	7,966,694	706,929	70,826,194	-
Accumulated depreciation	(33,964,770)	(52,362,822)	(10,231,122)	(12,057,351)	(215,024)	(108,831,089)	(2,355)
<b>Net Capital Assets</b>	<b>40,851,314</b>	<b>43,955,744</b>	<b>6,481,648</b>	<b>9,878,333</b>	<b>491,905</b>	<b>101,658,944</b>	<b>31,555</b>
<b>Total Noncurrent Assets</b>	<b>42,807,496</b>	<b>44,140,688</b>	<b>6,561,923</b>	<b>13,235,588</b>	<b>713,577</b>	<b>107,459,272</b>	<b>31,555</b>
<b>Total Assets</b>	<b>72,915,619</b>	<b>62,776,249</b>	<b>17,681,936</b>	<b>13,873,651</b>	<b>810,261</b>	<b>168,057,716</b>	<b>6,928,241</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred outflows of resources - pension	874,524	1,544,320	888,923	237,947	-	3,545,714	611,547
<b>Total Deferred Outflows of Resources</b>	<b>874,524</b>	<b>1,544,320</b>	<b>888,923</b>	<b>237,947</b>	<b>-</b>	<b>3,545,714</b>	<b>611,547</b>
<b>LIABILITIES</b>							
Current Liabilities:							
Accounts payable	953,707	681,063	385,533	102,507	100	2,122,910	457,368
Accrued personnel costs	226,339	482,909	268,971	65,518	-	1,043,737	209,010
Insurance claims payable	-	-	-	-	-	-	3,792,529
Retentions payable	7,950	10,979	-	-	-	18,929	6,835
Customer deposits	65,076	-	-	-	-	65,076	-
Unearned revenue	-	-	5,398	79,924	-	85,322	-
Current maturities of long term debt:							
Compensated absences	14,124	28,377	17,438	1,906	-	61,845	10,253
Liability for landfill closure	-	-	40,000	-	-	40,000	-
Notes payable	10,773	116,787	327,156	23,037	-	477,753	-
Loans payable	-	260,147	-	-	-	260,147	-
<b>Total Current Liabilities</b>	<b>1,277,969</b>	<b>1,580,262</b>	<b>1,044,496</b>	<b>272,892</b>	<b>100</b>	<b>4,175,719</b>	<b>4,475,995</b>
Noncurrent Liabilities:							
Compensated absences	221,277	444,580	273,197	29,867	-	968,921	160,637
Net OPEB liability	372,792	506,615	420,586	105,147	-	1,405,140	-
Liability for landfill closure	-	-	3,640,437	-	-	3,640,437	-
Net pension liability	3,349,410	5,914,717	3,404,559	911,333	-	13,580,019	2,342,210
Notes payable	19,943	304,147	1,000,041	74,870	-	1,399,001	-
Loans payable	-	5,234,198	-	-	-	5,234,198	-
<b>Total Noncurrent Liabilities</b>	<b>3,963,422</b>	<b>12,404,257</b>	<b>8,738,820</b>	<b>1,121,217</b>	<b>-</b>	<b>26,227,716</b>	<b>2,502,847</b>
<b>Total Liabilities</b>	<b>5,241,391</b>	<b>13,984,519</b>	<b>9,783,316</b>	<b>1,394,109</b>	<b>100</b>	<b>30,403,435</b>	<b>6,978,842</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Leases related	-	-	-	3,293,811	247,876	3,541,687	-
Deferred inflows of resources - pension	1,675,253	2,958,326	1,702,836	410,241	-	6,746,656	1,171,488
<b>Total Deferred Inflows of Resources</b>	<b>1,675,253</b>	<b>2,958,326</b>	<b>1,702,836</b>	<b>3,704,052</b>	<b>247,876</b>	<b>10,288,343</b>	<b>1,171,488</b>
<b>NET POSITION</b>							
Net investment in capital assets	40,820,598	39,059,515	5,864,015	9,780,426	491,905	96,016,459	31,555
Unrestricted	26,052,901	8,318,209	1,220,692	(766,989)	70,380	34,895,193	(642,097)
<b>Total Net Position</b>	<b>66,873,499</b>	<b>47,377,724</b>	<b>7,084,707</b>	<b>9,013,437</b>	<b>562,285</b>	<b>130,911,652</b>	<b>(610,542)</b>

See accompanying notes to financial statements

**CITY OF WATSONVILLE, CALIFORNIA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Fund
	WATER	SEWER	SOLID WASTE	AIRPORT	FIBER OPTIC	TOTALS	
	\$	\$	\$	\$	\$	\$	\$
OPERATING REVENUES:							
Charges for services	21,044,726	\$16,365,977	16,115,767	\$2,659,206	94,808	56,280,484	19,800,176
Total operating revenues	21,044,726	16,365,977	16,115,767	2,659,206	94,808	56,280,484	19,800,176
OPERATING EXPENSES:							
Costs of sales and services	14,519,574	12,075,456	13,516,423	4,074,270	28,893	44,214,616	21,851,093
Depreciation	1,575,228	1,557,998	838,477	395,385	35,346	4,402,434	2,355
Total operating expenses	16,094,802	13,633,454	14,354,900	4,469,655	64,239	48,617,050	21,853,448
Operating income (loss)	4,949,924	2,732,523	1,760,867	(1,810,449)	30,569	7,663,434	(2,053,272)
NONOPERATING REVENUES (EXPENSES)							
Lease revenues	-	-	-	1,295,988	-	1,295,988	-
Grant revenues	-	5,052	21,249	-	-	26,301	-
Interest revenues	90,032	79,492	37,449	58,071	(25,895)	239,149	13,293
Interest expenses	(17,120)	(57,492)	(15,119)	26,106	-	(63,625)	-
Total nonoperating revenues (expenses)	72,912	27,052	43,579	1,380,165	(25,895)	1,497,813	13,293
Income (loss) before contributions and transfers	5,022,836	2,759,575	1,804,446	(430,284)	4,674	9,161,247	(2,039,979)
Capital contributions - connection fees	88,922	399,911	-	-	-	488,833	-
Transfers (out)	(31,625)	(201,976)	(45,635)	(5,056)	-	(284,292)	-
Changes in net position	5,080,133	2,957,510	1,758,811	(435,340)	4,674	9,365,788	(2,039,979)
Total Net Position - Beginning	61,793,366	44,420,214	5,325,896	9,448,777	557,611	121,545,864	1,429,437
Total Net Position - Ending	66,873,499	47,377,724	7,084,707	9,013,437	562,285	130,911,652	(610,542)

See accompanying notes to financial statements

**CITY OF WATSONVILLE, CALIFORNIA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	WATER	SEWER	SOLID WASTE	AIRPORT	FIBER OPTIC	TOTALS
	\$	\$	\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Receipts from customers and users	20,763,374	16,117,069	15,919,482	2,745,723	116,592	55,662,240
Receipts from interfund services provided	-	-	-	-	-	-
Payments to suppliers	(14,763,567)	(11,811,289)	(13,785,871)	(4,147,103)	(28,793)	(44,536,623)
Payments to employees	(888,908)	(928,817)	(1,241,512)	(337,267)	(63)	(3,396,567)
Receipt for interfund services provided (used)	601,278	21,738	57,027	-	-	680,043
<b>Net cash provided (used) by operating activities</b>	<b>5,712,177</b>	<b>3,398,701</b>	<b>949,126</b>	<b>(1,738,647)</b>	<b>87,736</b>	<b>8,409,093</b>
<b>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Grant revenue	-	5,052	21,249	-	-	26,301
Transfers (to) other funds	(31,625)	(201,976)	(45,635)	(5,056)	-	(284,292)
<b>Net cash provided (used) by noncapital financing activities</b>	<b>(31,625)</b>	<b>(196,924)</b>	<b>(24,386)</b>	<b>(5,056)</b>	<b>-</b>	<b>(257,991)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisition of capital assets	(\$1,531,111)	(1,622,447)	(\$831,700)	(21,401)	-	(4,006,659)
Connection fees	88,922	399,911	-	-	-	488,833
Principal paid on long term debt	(13,888)	(418,463)	(324,029)	(23,037)	-	(779,417)
Interest paid on long term debt	(17,120)	(57,492)	(15,119)	26,106	-	(63,625)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(1,473,197)</b>	<b>(1,698,491)</b>	<b>(1,170,848)</b>	<b>(18,332)</b>	<b>-</b>	<b>(4,360,868)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Lease revenue	-	-	-	1,295,988	-	1,295,988
Interest received	90,032	79,492	37,449	58,071	(25,895)	239,149
<b>Net cash provided (used) by investment activities</b>	<b>90,032</b>	<b>79,492</b>	<b>37,449</b>	<b>1,354,059</b>	<b>(25,895)</b>	<b>1,535,137</b>
<b>Net cash flows</b>	<b>4,297,387</b>	<b>1,582,778</b>	<b>(208,659)</b>	<b>(407,976)</b>	<b>61,841</b>	<b>5,325,371</b>
Cash and cash equivalents at beginning of period	23,823,748	13,619,600	10,347,877	766,582	30,423	48,588,230
<b>Cash and cash equivalents at ending of period</b>	<b>28,121,135</b>	<b>15,202,378</b>	<b>10,139,218</b>	<b>358,606</b>	<b>92,264</b>	<b>53,913,601</b>
<b>Reconciliation of Statement of Net Position:</b>						
Cash and investments	28,121,135	14,183,328	9,429,654	358,606	92,264	52,184,987
Cash and investments with fiscal agents	-	1,019,050	709,564	-	-	1,728,614
	<b>28,121,135</b>	<b>15,202,378</b>	<b>10,139,218</b>	<b>358,606</b>	<b>92,264</b>	<b>53,913,601</b>
<b>Reconciliation of operating income (loss) to cash flows from operating activities</b>						
Operating Income (loss)	4,949,924	2,732,523	1,760,867	(1,810,449)	30,569	7,663,434
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	1,575,228	1,557,998	838,477	395,385	35,346	4,402,434
(Increase) decrease in receivables	(281,352)	(335,860)	(199,102)	25,040	(4,420)	(795,694)
(Increase) decrease in inventories	37,136	-	(24,599)	(49,987)	-	(37,450)
(Increase) decrease in loans receivable	-	86,952	-	-	-	86,952
(Increase) decrease in due from other governments	-	-	(2,581)	83,463	-	80,882
(Increase) decrease in advances receivable	601,278	21,738	57,027	-	-	680,043
(Increase) decrease in leases receivable	-	-	-	(63,444)	26,204	(37,240)
(Increase) decrease in deferred outflows	29,444	(50,785)	86,170	14,332	-	79,161
Increase (decrease) in accounts payable	(272,555)	253,188	(239,290)	(22,846)	100	(281,403)
Increase (decrease) in claims payable	-	-	-	-	-	-
Increase (decrease) in accrued personnel costs	(6,587)	66,610	(15,278)	(22,462)	(63)	22,220
Increase (decrease) in retentions payable	(63,719)	10,979	(5,559)	-	-	(58,299)
Increase (decrease) in liability for landfill closure	-	-	-	-	-	-
Increase (decrease) in unearned revenue	-	-	5,398	41,458	-	46,856
Increase (decrease) in customer deposits	55,145	-	-	-	-	55,145
Increase (decrease) in net pension liability	(2,532,573)	(3,803,487)	(2,940,224)	(730,209)	-	(10,006,493)
Increase (decrease) in net OPEB liabilities	(22,635)	(46,925)	(40,704)	(292)	-	(110,556)
Increase (decrease) in deferred inflows	1,643,443	2,905,770	1,668,524	401,364	-	6,619,101
Increase (decrease) in advances payable	-	-	-	-	-	-
<b>Total adjustments</b>	<b>762,253</b>	<b>666,178</b>	<b>(811,741)</b>	<b>71,802</b>	<b>57,167</b>	<b>745,659</b>
<b>Net cash provided (used) by operating activities</b>	<b>5,712,177</b>	<b>3,398,701</b>	<b>949,126</b>	<b>(1,738,647)</b>	<b>87,736</b>	<b>8,409,093</b>
<b>NON CASH TRANSACTIONS</b>						
Retirement of capital assets	(202,440)	(290,486)	(551,324)	-	-	(1,044,250)
Landfill post closure liability amortization	-	-	-	-	-	-
Landfill usage amortization	-	-	-	-	-	-

See accompanying notes to financial statements

**CITY OF WATSONVILLE, CALIFORNIA**  
**SUCCESSOR AGENCY PRIVATE PURPOSE TRUST FUND**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2022**

ASSETS	\$
Cash and investments	2,727,907
Cash and investments with fiscal agent	1,692,468
Notes receivable	<u>171,179</u>
Total Assets	<u>4,591,554</u>
DEFERRED OUTFLOW OF RESOURCES	
Deferred Loss on Refunding	<u>163,765</u>
Total Deferred Outflow of Resources	<u>163,765</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	599,518
Salaries Payable	-
Interest Payable	122,848
Notes Payable	955,275
Refunding Bonds Payable	<u>1,390,000</u>
Total Current Liabilities	<u>3,067,641</u>
Noncurrent liabilities:	
Notes Payable	508,477
Refunding Bonds Payable	<u>6,531,688</u>
Total Non Current liabilities	<u>7,040,165</u>
Total Liabilities	<u>10,107,806</u>
Net Position	
Held in trust for other purposes	<u>(5,352,487)</u>
Total Net Position	<u><u>(5,352,487)</u></u>

See accompanying notes to financial statements

**CITY OF WATSONVILLE, CALIFORNIA**  
**SUCCESSOR AGENCY PRIVATE PURPOSE TRUST FUND**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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ADDITIONS:	\$
Taxes	3,480,428
Interest	5,616
Amortization	<u>72,744</u>
Total additions	<u>3,558,788</u>
DEDUCTIONS:	
Administration	548,577
Interest	<u>338,048</u>
Total deductions	<u>886,625</u>
Change in Net Position	2,672,163
Net Position (Deficit), July 1	<u>(8,024,650)</u>
Net Position (Deficit), June 30	<u><u>(5,352,487)</u></u>

See accompanying notes to financial statements

**CITY OF WATSONVILLE, CALIFORNIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**A. Reporting entity**

The City of Watsonville, California was incorporated in 1868 as a charter city and operates under the Council-Manager form of government. The City provides the following services: public safety (police, fire and building inspections), highway and streets, water, sewer and solid waste services, airport, public improvements, planning and zoning, housing and general administration.

**B. Government-wide and fund financial statements**

The Government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government except for the Fiduciary fund type – Private Purpose Trust Fund. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among programs revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period.

**CITY OF WATSONVILLE, CALIFORNIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the government, except those required to be accounted for in another fund.

The Impact Fees Special Revenue Fund is assessed at the time of development and is used to mitigate certain increased costs incurred by the government as development occurs. These funds are then used to increase the capacity of roads, build fire stations, public safety equipment, or other governmental facilities. The receipt and disbursement of these fees are recorded in this fund.

The Housing Special Revenue Fund is used for low and moderate-income housing projects. The fund is funded by old 20% Redevelopment Agency's housing loans monthly payments and with loan payoffs.

The Redevelopment and Housing Grants Special Revenue Fund provides assistance to low and moderate-income individuals via grants. These grants offer a number of housing programs to help low to moderate income Watsonville residents improve their housing condition.

The American Rescue Plan Act Special Revenue Fund accounts for funds received and spent for the American Rescue Plan Act.

The General Debt Service Fund receives funds for the payment of governmental debt of the government.

The City reports the following major proprietary funds:

The Water Fund records the receipts of revenues for water services and records the associated expenses or capital investment. The water service provides water to Watsonville and the surrounding communities, which has a service population of approximately 50,000.

**CITY OF WATSONVILLE, CALIFORNIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

The Sewer Fund records the activity of the City's wastewater treatment plant and collection system. The fund also provides waste treatment services to other local sanitary districts, namely Freedom, Salsipuedes, and Pajaro Utility Districts. Thus, the wastewater plant services some 55,000 residents.

The Solid Waste Fund records the activities of refuse collection, recycling, and landfill operations. The landfill is located near the County landfill and is used only by the citizens of the City of Watsonville.

The Airport Fund represents the activities at the airport and the receipts of Federal Aviation Agency (FAA) grants. The fund is to be supported by the fees the airport collects from fuel sales and facility use fees. The FAA provides substantial grant income for general airport improvements.

The Fiber Optic Fund records the activities of the City's fiber optic system. The fund receives payments for use of the system.

Additionally, the government reports the following fund types:

The Internal Service Fund is used to account for financing of insurance services (workers' compensation, general liability and health benefits) provided to other government funds and departments on a cost reimbursement basis.

The Private Purpose Trust Fund is used to account for the transactions of the Successor Agency of the City of Watsonville Redevelopment Agency.

As a general rule, the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water, sewer, and solid waste functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various foundations concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds principal ongoing operations. The principal operating revenues of the government's enterprise funds and of the City's internal service fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.



**CITY OF WATSONVILLE, CALIFORNIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, which require management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts for revenues and expenses or expenditures.

**D. Assets, liabilities, and net position or fund balance**

**1. Deposits and investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in the following types of investments:

- Securities of the US Government, or its agencies
- Certificates of Deposit (or Time Deposits) placed with commercial banks and/or savings and loan institutions like institutions such as credit unions
- Local Agency Investment Fund (State Pool)
- Repurchase agreements (repos) for a term of one year or less
- Passbook Savings Account Demand Deposits
- Debt of the City of Watsonville
- Negotiable Certificates of Deposits
- Bankers' Acceptances

Investments for the City are reported at fair value. The State Treasurers Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The City has funds held by trustees or fiscal agents pledged to the payment or security of certain bonds and certificates of participation. The California Government Code provides that these funds, in absence of specific statutory provisions governing the issuance of bonds or certificates, may be invested in accordance with the ordinance, resolutions, or indentures specifying the types of investments the trustees or fiscal agent may make.

**Cash and cash equivalents**

The cash flow statements require presentation of "cash and cash equivalents". For the purposes of the statement of cash flows, the City considers all proprietary funds pooled cash and investments and cash and investments with fiscal agent as "cash and cash equivalents".

**CITY OF WATSONVILLE, CALIFORNIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**2. Receivables and payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Property taxes are levied and collected by the County of Santa Cruz and paid upon collection to the various taxing entities including the City. Property taxes are attached as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10. Unsecured taxes are due on July 1 and become delinquent on August 31. The City recognizes property tax revenues when they become measurable and available for the payment of claims in the current period.

**3. Inventories**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

**4. Land held for resale**

Land held for resale is carried at the lower of cost or estimated realizable value.

**5. Capital assets**

Capital assets, which include property, plant and equipment, and infrastructure, (e.g., bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems), and construction in progress are recorded in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession agreement are valued at their estimated acquisition value on the date donated.

The costs for normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

**CITY OF WATSONVILLE, CALIFORNIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

Property, plant, and equipment of the primary government, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	20 to 50 years
Buildings	20 to 50 years
Improvements	20 to 50 years
Machinery, Equipment, and Vehicles	3 to 10 years

**6. Compensated absences**

It is the City's policy to allow most employee groups to accumulate sick leave to a maximum of 1,000 hours. Sick leave accumulated above this maximum is paid to employees at 50% of such excess in December. The balance of such unused sick leave is lost and the sick leave accrual is reduced to 1,000 hours at January 1 of each year. Earned vacation time is accumulated up to two times the employee's annual accrual rate and unused vacation is paid at the employee's hourly rate upon termination.

The maximum accumulation, for fire-fighters on shift duty, of unused sick leave is 62.5 days (1,500 hours). Sick leave accumulation in any calendar year in excess of 1,500 hours shall be paid at the rate of 50% of such excess. The balance of such unused sick leave is lost and the sick leave accrual is reduced to 1,500 hours at January 1 of each year.

The City accrues for compensated absences in the government-wide and proprietary fund financial statements for which they are liable to make payment directly. The General fund, Inclusionary Housing fund, and all four of the five Enterprise funds incurred costs associated with compensated absences during the last fiscal year.

**7. Interfund transactions**

A description of the basic two types of the City's interfund transactions during the fiscal year and the related accounting policies are set forth as follows:

1. Transactions related directly to services rendered, or facilities provided, are recorded as revenues in the fund providing the service or facility and expenditures (or expenses) in the fund receiving them.
2. Transactions to allocate resources from one fund to another, not contingent on the occurrence of specific expenditures in the receiving fund, are recorded appropriately as transfers in and transfers out in the respective funds.

**CITY OF WATSONVILLE, CALIFORNIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**8. Long-term obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bond using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**9. Deferred Outflows and Inflows of Resources**

Pursuant to GASB Statement No. 63, *“Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,”* and GASB Statement No. 65, *“Items Previously Reported as Assets and Liabilities,”* the City recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net assets by the government that is applicable to a future reporting period. The City has one item which qualifies for reporting; see Note IV. E. for a detailed listing of the deferred outflows. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net assets by the City that is applicable to a future reporting period. The City has two items which qualify for reporting in this category – unavailable revenue and pension related deferred inflows of resources. Refer to Note IV. E. for a detailed listing of the pension related deferred inflows of resources the City has recognized.

**10. Fund balances**

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

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Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the City’s governing board (ordinance). Committed amounts cannot be used for any purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purpose with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent maybe stipulated by the government board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purpose in accordance with the nature of their type or the fund’s primary purpose. An assignment within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the City.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of commitments made, which include future funding sources for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balance are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

## **11. Net Position**

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is *net investment in capital assets* consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

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The Net Investment in Capital Assets are calculated as below:

	Governmental Activities	Business-type Activities	Total
	\$	\$	\$
Capital Asset, net of accumulated depreciation:	113,358,597	101,658,944	215,017,541
Less: Capital debt	(2,153,222)	(7,371,099)	(9,524,321)
Plus: Unspent bond proceeds		1,728,614	1,728,614
Net Investment in Capital Asset:	111,205,375	96,016,459	207,221,834

## **II. Stewardship, compliance, and accountability**

### **A. Budgetary information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. All annual appropriations lapse at fiscal year-end.

On or before March 31 of each fiscal year, all departments of the City of Watsonville are required to submit requests for appropriations to the City's management so that a budget may be prepared. Before May 31 the proposed budget is presented to the City Council for review. City Council holds public hearings and a final budget must be prepared and adopted no later than June 30.

The appropriated budget is prepared by fund, department, and division. The City department heads may make transfers of appropriations within a department. Transfers of appropriations between funds require the approval of the City Manager. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. City Council made several supplemental budget appropriations during the fiscal year. The General Fund budget was increased by \$2,189,101 during the fiscal year for reimbursements to the Impact Fees Fund, new solar loan, increased community development department expenditures, and increased salary and overtime for public safety officers.

Encumbrance accounting is employed in governmental funds. The commitments will be re-appropriated and honored during the subsequent fiscal year. Encumbrances were as follows at fiscal year-end: General Fund - \$1,185,447, Housing Fund - \$78,568, Redevelopment and Housing Grants - \$67,074, and Other Governmental Funds - \$5,355,443.

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**B. Deficit fund equity**

As of June 30, 2022, the Parking Garage Special Revenue Fund had a fund balance deficit of (\$381,916). The fund will make up the deficits with future licenses, permits and fees collected. The Internal Services Fund had a fund balance deficit of (\$610,542). The fund will make up the deficits with future reimbursements from other funds.

**III. Detailed notes on all funds**

**A. Cash and investments**

Cash and investments (including monies held by trustees and fiscal agents) as of June 30, 2022 were as follows:

	Balance June 30, 2022	
<u>Cash:</u>	\$	\$
Demand Deposits	10,000,319	-
Outstanding Checks	(2,816,970)	-
Deposits in Transit	391,213	-
Net Demand Deposits	7,574,562	-
Petty Cash	12,836	-
Cash Subtotal	-	7,587,398
<u>Investments:</u>		
Guaranteed Investment Contracts	1,801,927	-
California Asset Management Program	54,886,708	-
Local Agency Investment Fund	68,894,032	-
Investment Subtotal		125,582,667
Total Cash and Investments		133,170,065

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The cash and investments of Governmental Activities, Business-Type Activities, and the Private Purpose Trust Fund was as follows as of June 30, 2022:

	Balance June 30, 2022
Governmental Activities:	\$
General Fund	21,927,988
Impact Fees Special Revenue Fund	8,371,662
Housing Special Revenue Fund	3,343,360
Redevelopment and Housing Grants Special Revenue Fund	2,836,458
American Rescue Plan Act Special Revenue Fund	17,863,042
Debt Service Fund	245,989
Other Nonmajor Funds	14,151,421
Total Governmental Activities:	<u>68,739,920</u>
Business-type Activities:	
Water Fund	28,121,135
Sewer Fund	15,202,378
Solid Waste Fund	10,139,218
Airport Fund	358,606
Fiber Optic Fund	92,264
Total Business-Type Activities	<u>53,913,601</u>
Internal Service Fund	<u>6,096,169</u>
Private Purpose Trust Fiduciary Fund	<u>4,420,375</u>
Total City Cash and Investments	<u><u>133,170,065</u></u>

The City of Watsonville categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City of Watsonville has the following fair value hierarchy as of June 30, 2022:

	<u>Total</u>	<u>Exempt</u>
Investments measured at amortized cost:	\$	\$
Guaranteed Investments Contracts	1,801,927	1,801,927
Local Agency Investment Fund	68,894,032	68,894,032
California Asset Management Program	<u>54,886,708</u>	<u>54,886,708</u>
Total Investments	<u><u>125,582,667</u></u>	<u><u>125,582,667</u></u>



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**POOLED DEPOSITS/CREDIT RISK:**

The California Government Code requires California banks and savings and loan associations to secure a government's deposits by pledging government securities as collateral. The fair value of pledged securities must equal at least 110% of a government's deposits. California law also allows financial institutions to secure the City's deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total deposit.

The City may waive collateral requirements for deposits, which are fully insured up to \$250,000 by federal depository insurance.

At June 30, 2022, the City's carrying amount of deposits and cash on hand was \$6,877,834 and bank balances were \$9,290,756. Bank balances in excess of the FDIC insurance limitations are fully collateralized by the Bank by pledging identified U.S. Government securities.

**Investments Authorized by the California Government Code and the City's Investment Policy**

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio *	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	20%	None
Passbook Savings Account Demand Deposit	N/A	None	None
Medium-Term Corporate Notes	5 years	30%	None
Debt of City of Watsonville	N/A	None	None
Money Market Mutual Funds	N/A	20%	None
Local Agency Investment Fund (LAIF)	N/A	None	\$75,000,000
California Asset Management Program (CAMP)	N/A	None	None

\* Excluding amounts held by bond trustee that are not subject to California Government Code restrictions

**Investments Authorized by Debt Agreements**

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Guaranteed Investment Contracts	30 years	None	None

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**Disclosures Relating to Interest Rate Risk**

Investment Type	Remaining Maturity (in Months)		Total
	12 Months or Less	More Than 60 Months	
	\$	\$	\$
Local Agency Investment Fund	68,894,032	-	68,894,032
California Asset Management Program	54,886,708	-	54,886,708
Guaranteed Investment Contracts	-	1,801,927	1,801,927
Total	123,780,740	1,801,927	125,582,667

**Disclosures Relating to Credit Risk**

Investment Type	Ratings as of Fiscal Year End		Total
	AA	Not Rated	
	\$	\$	\$
Local Agency Investment Fund	-	68,894,032	68,894,032
California Asset Management Program	-	54,886,708	54,886,708
Guaranteed Investment Contracts	1,801,927	-	1,801,927
Total	1,801,927	123,780,740	125,582,667

- (1) The management of the State of California Pooled Money Investment Account (generally referred to as LAIF) has indicated to the City that as of June 30, 2022 the amortized cost value of the pool was \$234,590,320,982 and the estimated fair value of the pool was \$231,570,067,770. The reported value of the City's portion of LAIF is the same value as the fair value of LAIF shares. LAIF's (and the City's) exposure to risk (credit, market or legal) is not currently available. The State's Local Agency Investment Fund (LAIF) operates in accordance with appropriate state laws and regulations. At June 30, 2022, these investments had an average maturity of 311 days.
- (2) The City is a participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust). The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act (California Government Code Sections 6500 et seq., or the "Act") for the purpose of exercising the common power of CAMP participants to invest certain proceeds of debt issues and surplus funds. CAMP investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. The City reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share in accordance with GASB 79 requirements. At June 30, 2022, fair value was approximate to the City's cost. At June 30, 2022, these investments had an average maturity of 28 days.

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The City has funds held by trustees or fiscal agents pledged to the payment or security of certain bonds. The California Government Code provides that these funds, in absence of specific statutory provisions governing the issuance of bonds or certificates, may be invested in accordance with the ordinance, resolutions, or indentures specifying the types of investments the trustees or fiscal agent may make.

**B. Capital assets**

Capital asset activity for the fiscal year ended June 30, 2022 was as follows:

Governmental activities:

	Balance at June 30, 2021	Additions	Deletions	Transfers	Balance at June 30, 2022
Capital Assets not being depreciated:	\$	\$	\$	\$	\$
Land and Improvements	16,467,923	-	-	-	16,467,923
Construction in Progress	4,758,154	6,049,501	-	(2,172,231)	8,635,424
Total Capital Assets not being depreciated	21,226,077	6,049,501	-	(2,172,231)	25,103,347
Capital Assets being depreciated:					
Buildings and Improvements	136,661,262	164,263	-	11,000	136,836,525
Machinery and Equipment	17,737,463	417,885	(230,250)	-	17,925,098
Infrastructure	38,122,037	865,155	-	2,161,231	41,148,423
Total Capital Assets being depreciated	192,520,762	1,447,303	(230,250)	2,172,231	195,910,046
Less accumulated depreciation for:					
Buildings and Improvements	(63,459,700)	(3,698,500)	-	-	(67,158,200)
Machinery and Equipment	(12,198,042)	(1,094,938)	230,250	-	(13,062,730)
Infrastructure	(26,544,213)	(889,653)	-	-	(27,433,866)
Total accumulated depreciation	(102,201,955)	(5,683,091)	230,250	-	(107,654,796)
Total Capital Assets being depreciated, net	90,318,807	(4,235,788)	-	2,172,231	88,255,250
Governmental activity Capital Assets, net	111,544,884	1,813,713	-	-	113,358,597

Business-type activities:

	Balance at June 30, 2021	Additions	Deletions	Transfers	Balance at June 30, 2022
Capital Assets, not being depreciated:	\$	\$	\$	\$	\$
Land and improvement	14,771,215	-	-	-	14,771,215
Construction in progress	4,739,315	2,555,493	-	(1,609,034)	5,685,774
Total Capital Assets not being depreciated	19,510,530	2,555,493	-	(1,609,034)	20,456,989
Capital Assets, being depreciated:					
Buildings and Improvements	90,405,153	230,203	-	1,346,550	91,981,906
Machinery, Equipment and Vehicles	27,208,831	1,436,418	(1,420,305)	-	27,224,944
Infrastructure	70,444,894	118,816	-	262,484	70,826,194
Total Capital Assets being depreciated	188,058,878	1,785,437	(1,420,305)	1,609,034	190,033,044
Less accumulated depreciation for:					
Buildings and Improvements	(38,628,178)	(2,082,612)	-	-	(40,710,790)
Machinery Equipment	(18,457,370)	(1,190,353)	1,086,034	-	(18,561,689)
Infrastructure	(48,429,141)	(1,129,469)	-	-	(49,558,610)
Total accumulated depreciation	(105,514,689)	(4,402,434)	1,086,034	-	(108,831,089)
Total Capital Assets being depreciated	82,544,189	(2,616,997)	(334,271)	1,609,034	81,201,955
Business-type activities Capital Assets, net	102,054,719	(61,504)	(334,271)	-	101,658,944

**CITY OF WATSONVILLE, CALIFORNIA**  
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Depreciation expenses were charged to functions/programs of the primary government as follows:

Governmental activities:	\$
General government	24,940
Public safety	262,106
Streets	4,512,755
Culture and recreation	880,935
Internal Services Fund	2,355
	<hr/>
Total depreciation expense - governmental activities	<u>5,683,091</u>
Business-Type activities:	
Water Fund	1,575,228
Sewer Fund	1,557,998
Solid Waste Fund	838,477
Airport Fund	395,385
Fiber Optic Fund	35,346
	<hr/>
Total depreciation expense - business-type activities	<u>4,402,434</u>

**C. Interfund receivables, payables, and transfers**

The composition of interfund activities as of June 30, 2022, is as follows:

**Due from/to other funds**

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. Due from/to other funds balances at June 30, 2022 were as follows:

	Due from other funds	other funds
<b>Governmental Funds:</b>	\$	\$
General Fund	843,485	-
Redevelopment & Housing Grants Special Revenue Fund	-	462,295
Nonmajor Funds	-	381,190
Total Governmental Funds	<hr/> <u>843,485</u>	<hr/> <u>843,485</u>

**CITY OF WATSONVILLE, CALIFORNIA**  
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**Advances receivable/payable**

Long-term interfund balances arise in the normal course of business and are not expected to be repaid during the next fiscal year. Advances receivable/payable funds balances at June 30, 2022 were as follows:

	<u>Advances Receivable</u>	<u>Advances Payable</u>
<b>Governmental Funds:</b>	\$	\$
General Fund	-	2,368,419
Impact Fees Special Revenue Fund	106,344	-
Nonmajor Funds	40,674	-
Total Governmental Funds	<u>147,018</u>	<u>2,368,419</u>
<b>Enterprise Funds:</b>		
Water Fund	1,956,182	-
Sewer Fund	184,944	-
Solid Waste Fund	80,275	-
Total Enterprise Funds	<u>2,221,401</u>	<u>-</u>
Total Government	<u><u>2,368,419</u></u>	<u><u>2,368,419</u></u>

With Council approval, resources may be transferred from one City fund to another. The City made various interfund transfers as follows:

	Transfers In				
	General Fund	Housing Special Revenue Fund	Debt Service Fund	Nonmajor Funds	Total Transfers Out
Transfers Out	\$	\$	\$	\$	\$
General Fund	-	83,777	-	-	83,777
Impact Fee Special Revenue Fund	5,000	-	-	-	5,000
Redevelopment & Housing Special Revenue Fund	122,000	-	161,934	-	283,934
Nonmajor Governmental Funds	3,656,286	1,604	406,759	72,971	4,137,620
Water Fund	-	-	26,569	5,056	31,625
Sewer Fund	-	-	196,920	5,056	201,976
Solid Waste Fund	-	-	40,579	5,056	45,635
Airport Fund	-	-		5,056	5,056
Total Transfers In	3,783,286	85,381	832,761	93,195	4,794,623

The City approved various interfund transfers within its budget for various recommencements such as the transfer from the Retirement Fund to the General Fund for recommencements of General Fund employee's retirement costs, the transfer from the CDBG Fund to the General Fund for the recommencements of qualified recreations staff costs and recommencements of debt payments to the Debt Service Fund. The General Fund also transferred 20% of its reimbursement from the Successor Agency to the Successor Agency Housing Fund as required by State law.

**CITY OF WATSONVILLE, CALIFORNIA**  
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**D. Leases**

**Policies**

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. The City recognizes lease receivable or liabilities with an initial, individual value of \$200,000 or more, based on the future lease payments remaining at the start of the lease.

**Lessor**

The City is a lessor for noncancellable leases of buildings and facilities. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts as follows:

- The City uses bond interest rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

**CITY OF WATSONVILLE, CALIFORNIA**  
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**Leases Receivable (City as Lessor)**

The provisions of GASB Statements 87 were implemented during fiscal year 2022. As part of the implementation of this-Statement, the City has accounted for certain lessor transactions, which required the restatement and increase of leases receivable and deferred inflows in the same amounts \$3,915,100 as of July 1, 2021. As a result, the net effect on beginning net position is zero.

The terms and balances related to leases receivable and deferred inflows of resources recorded in the Enterprise Funds as of June 30, 2022 were:

Lessee	Property Address	Original Lease Date	Lease Ending Date	Term Duration (Years)	Remaining Lease Term (years)	Extension Years	Expiration Date Including Options
	Running between Room MPOE of the City's Civic Center and Fire Station Two, 370 Airport						
Zayo Group, LLC	Boulevard	6/30/2021	6/30/2024	3	1	-	6/30/2024
EKB Partners	45 Aviation Way	12/28/2016	12/31/2053	20	14	15	12/31/2053
Mid Valley Supply	220 Airport Blvd	10/1/2014	9/30/2024	5	0	5	9/30/2024
Pacific Golf Centers	101 Ranport Rd	7/2/2013	7/1/2038	5	0	20	7/1/2038
Specialized Helicopter	150 Aviation Way	3/1/2020	2/29/2024	4	1	0	2/29/2024
Watsonville Diesel	101 Aviation Way	8/1/2016	7/31/2056	30	24	10	7/31/2056
United Flight	120 Aviation Way	6/24/2009	11/14/2038	20	7	10	11/14/2038
Ellas	100 Aviation Way	4/1/2022	3/31/2027	5	3	6	3/31/2033

(Continued below)

Lessee	Interest Revenue	Lease Revenue	Monthly Revenue as of June 30, 2022	Lease Receivable Balance at June 30, 2022	Deferred Inflow of Resources at June 30, 2022
	\$	\$	\$	\$	\$
Zayo Group, LLC	1,611	61,543	9,337	221,672	195,469
EKB Partners	15,704	14,774	2,540	656,460	652,244
Mid Valley Supply	1,756	95,097	8,071	216,083	223,146
Pacific Golf Centers	8,620	22,813	2,619	427,215	425,692
Specialized Helicopter	1,161	79,965	6,761	134,354	140,423
Watsonville Diesel	19,977	3,724	1,978	842,647	824,189
United Flight	7,274	18,817	2,174	360,752	359,479
Ellas	2,118	12,582	4,900	719,744	721,045
	<u>58,222</u>	<u>309,313</u>	<u>38,380</u>	<u>3,578,927</u>	<u>3,541,687</u>

**CITY OF WATSONVILLE, CALIFORNIA**  
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The future principal and interest lease receivables as of June 30, were as follows:

For the Year Ended June 30	Principal	Interest	Total
	\$	\$	\$
2023	393,654	70,828	464,482
2024	377,287	66,504	443,791
2025	147,758	62,611	210,369
2026	129,278	60,034	189,312
2027	134,615	57,377	191,992
2028-2032	729,817	244,031	973,848
2033-2037	496,085	176,774	672,859
2038-2042	313,725	128,474	442,199
2043-2047	294,782	92,346	387,128
2048-2052	335,379	51,748	387,127
2053-2057	226,547	10,872	237,419
Totals	3,578,927	1,010,727	4,363,107

**E. Long-term debt**

The City's long-term debt obligations are repaid by the following funds: General Fund, Debt Service Fund, Water Enterprise Fund, Sewer Enterprise Fund, Solid Waste Enterprise Fund and the Airport Enterprise Fund.

**Debt payable (Direct Borrowing) – Governmental Activities**

On April 13, 2012, the City entered into a commercial term loan with Santa Cruz County Bank to finance the cost of installing solar panels through the City of Watsonville. The total amount for which the City was obligated under the loan was \$3,014,285. Installation of the solar panels was completed in the 2012/13 fiscal year.

Interest rate for the loan was 5.29% with principal payments ranging from \$206,431 to \$282,376 through fiscal year 2027.



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**Notes payable:**

**Governmental Activities -**

**Section 108 Loan Payable (Direct Borrowing)**

The City entered into a contract with the Secretary of U.S. Department of Housing and Urban Development. The contract is for loan guarantee assistance under Section 108 of the Housing and Community Development Act of 1974, as amended, 42 U.S.C. #5308. The promissory note, in the amount of \$2,530,000, is for the Downtown Parking Garage Project. The loan is to be repaid with future Community Development Block Grant funds over a period of twenty years at an interest rate of 1.26%.

The annual requirements to amortize the Section 108 loan outstanding as of June 30, 2022 is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
	\$	\$	\$
2023	155,000	11,308	166,308
2024	163,000	2,902	165,902
2025	170,000	2,423	172,423
Total	<u>488,000</u>	<u>16,633</u>	<u>504,633</u>

**PG&E Notes (Direct Borrowings)**

The City entered into several agreements with Pacific Gas & Electric Company (PG&E) to retrofit City lighting with qualified energy saving lights throughout the City. The notes are to be repaid with future energy savings over various periods at interest rates of 0%.

The annual requirements to repay the PG&E note outstanding as of June 30, 2022 are as follows:

**Business-type Activities - Waste Water System Lights:**

<u>Fiscal Year</u>	<u>Principal</u>
	\$
2023	7,036
Total	<u>7,036</u>

**CITY OF WATSONVILLE, CALIFORNIA**  
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**PG&E 2019 Notes (Direct Borrowing)**

The City entered into several agreements with Pacific Gas & Electric Company (PG&E) to retrofit City lighting with qualified energy saving lights throughout the City. The notes are to be repaid with future energy savings over various periods at interest rates of 0%.

The terms and maximum payments required on the 2019 notes are as follows:

Old City Hall - \$47,181, 5 year loan, maximum annual payment of \$11,323,  
Civic Center - \$60,070, 4 year loan, maximum annual payment of \$18,021,  
Marinovich - \$33,071, 4 year loan, maximum annual payment of \$9,229,  
Youth Center - \$27,876, 6 year loan, maximum annual payment of \$4,993,  
Ramsay Park - \$29,807, 5 year loan, maximum annual payment of \$7,013,  
Fire Station 1 - \$36,215, 3 year loan, maximum annual payment of \$13,413,  
Beach St Parking - \$35,429, 6 year loan, maximum annual payment of \$7,330,  
Police Station - \$85,545, 5 year loan, maximum annual payment of \$19,010,  
Senior Center - \$20,657, 8 year loan, maximum annual payment of \$2,882.

The annual requirements to repay the PG&E 2019 governmental activities notes outstanding as of June 30, 2022 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>
	\$
2023	78,298
2024	49,374
2025	11,292
2026	3,709
2027	2,882
2028	243
Total	<u>145,798</u>

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The original note amounts, terms and maximum annual payments required on the 2019 notes are as follows:

Corralitos - \$23,326, 5 year loan, maximum annual payment of \$5,281,  
 MSC - \$34,323, 7 year loan, maximum annual payment of \$5,492,  
 Vista Well - \$8,722, 3 year loan, maximum annual payment of \$3,115.

**Business Type Activities**

***For the Water Fund as follows:***

The annual requirements to repay the PG&E 2019 Water Fund notes outstanding as of June 30, 2022 are as follows:

Fiscal Year	Principal
	\$
2023	10,773
2024	10,333
2025	5,489
2026	4,121
Total	<u>30,716</u>

***For the Waste Water Fund as follows:***

Waste Water Treatment Plant - \$86,422, 5 year loan, maximum annual payment of \$19,205.

The annual requirements to repay the PG&E 2019 Waste Water Fund note outstanding as of June 30, 2022 are as follows:

Fiscal Year	Principal
	\$
2023	19,205
2024	19,205
2025	8,002
Total	<u>46,412</u>

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***For the Airport Fund as follows:***

Airport - \$153,579, 7 year loan, maximum annual payment of \$23,037.

The annual requirements to repay the PG&E 2019 Airport Fund note outstanding as of June 30, 2022 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>
	\$
2023	23,037
2024	23,037
2025	23,037
2026	23,037
2027	5,759
Total	<u><u>97,907</u></u>

***For the Solid Waste Fund as follows:***

Landfill - \$9,110, 7 year loan, maximum annual payment of \$1,458.

The annual requirements to repay the PG&E 2019 Solid Waste Fund note outstanding as of June 30, 2022 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>
	\$
2023	1,458
2024	1,458
2025	1,458
2026	970
Total	<u><u>5,344</u></u>

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***State Water Resources Control Board Loans (Direct Borrowing)***

On December 18, 2015, the City entered into an agreement with the California State Water Resources Control Board for a Clean Water State Revolving Fund Loan to finance the Manana Lane Sewer Replacement Project. The amount of the loan is \$1,486,310. The interest rate for the 20 year loan is 1.6% with principal payments ranging from \$66,227 to \$86,741.

The City's outstanding loan under the California State Water Resources Control Board is secured by a pledge of revenues from the Sewer Enterprise Fund. Events of default include non-payment of interest or principal when due. The City shall have 10 days to clear any default. A penalty of highest legal rate of interest from date of default will be added for each charge, fees, taxes, assessments tools or other charges or imposed by the Recipient of non-payment. There have been no events of default since the loan was issued.

The annual debt services requirements for the loan outstanding as of June 30, 2022 is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
	\$	\$	\$
2023	68,364	19,767	88,131
2024	69,457	18,673	88,130
2025	70,569	17,561	88,130
2026	71,698	16,432	88,130
2027	72,845	15,285	88,130
2028-2032	382,086	58,565	440,651
2033-2037	413,646	27,004	440,650
2038	86,741	1,388	88,129
Total	<u>1,235,406</u>	<u>174,675</u>	<u>1,410,081</u>

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On April 15, 2019, the City entered into an agreement with the California State Water Resources Control Board for a Clean Water State Revolving Fund Loan to finance the Freedom Sanitation Trunk Sewer Line Project. The total amount of the loan is \$4,600,840, however, the City has only drawn down \$4,258,939 as of June 30, 2022. The interest rate for the 20 year loan is 1.7% with principal payments ranging from \$191,783 to \$259,770 as of June 30, 2022.

The City's outstanding loan under the California State Water Resources Control Board is secured by a pledge of revenues from the Sewer Enterprise Fund. Events of default include non-payment of interest or principal when due. The City shall have 10 days to clear any default. A penalty of highest legal rate of interest from date of default will be added for each charge, fees, taxes, assessments tools or other charges or imposed by the Recipient of non-payment. There have been no events of default since the loan was issued.

The annual requirements to amortize the loan outstanding as of June 30, 2022 is as follows:

Fiscal Year	Principal	Interest	Debt Service
	\$	\$	\$
2023	191,783	72,402	264,185
2024	195,043	69,142	264,185
2025	198,359	65,826	264,185
2026	201,731	62,454	264,185
2027	205,160	59,025	264,185
2028	208,648	55,537	264,185
2029	212,195	51,990	264,185
2030	215,802	48,382	264,184
2031	219,471	44,714	264,185
2032	223,202	40,983	264,185
2033	226,996	37,188	264,184
2034	230,855	33,329	264,184
2035	234,780	29,405	264,185
2036	238,771	25,414	264,185
2037	242,830	21,354	264,184
2038	246,958	17,226	264,184
2039	251,157	13,028	264,185
2040	255,426	8,758	264,184
2041	259,772	4,416	264,188
Total	4,258,939	760,573	5,019,512

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**Business-type Activities - Municipal landfill closure and post-closure liability and requirements**

The City operates a landfill solely for the disposal of Watsonville residents' solid waste. The landfill is regulated by the California Integrated Waste Management Board, which requires that the City set aside certain funds for the landfill's eventual closure. As of June 30, 1998, the City's Solid Waste Division had completed the closure of the old landfill cell and recognized \$403,773 of expenditures to complete the closure. The City is now operating a new cell, which was expected to provide landfill capacity for 23 years with an estimated post-closure costs of \$1,591,230 as of June 30, 2022.

The City recognizes a portion of the closure and post closure care costs in each operating period. The amount recognized each year to date for the new landfill is based on the landfill capacity used as of the balance sheet date. As of June 30, 2022, the new landfill cell had used 96.7% of its projected space. The estimated closure and post-closure costs were \$1,876,793 and \$1,803,644, respectively, which will be recognized as the remaining capacity is used (estimated to be 0.6 years). To date, the fund has \$239,650 for post closure costs for the closed phase I and II cells and has set aside closure costs of \$1,876,793 and post-closure costs of \$1,563,994 for the open phase III cell for a total of \$3,680,437. The estimated costs of closure and post closure care are subject to changes such as the effects of inflation, revision of laws and other variables.

**NET OPEB LIABILITY**

Starting July 1, 2015, the City ceased to pay cash subsidies for retirees. The retirees pay the full amount of their CSAC IEA premiums. The medical/drug implicit subsidy was the only source of liability related for OPEB. Since there is no cash subsidy, as of June 30, 2022, the net OPEB liability was calculated to be immaterial for GASB#75 presentation purposes. However, the net OPEB liabilities of \$5,036,600 is still reflected as part of the long-term liabilities in the City's Statements of Net Position as follows: Governmental Activities - \$3,631,460, Business-type Activities - \$1,405,140.

**Capital Leases (Direct Borrowings):**

**Governmental Activities -**

On March 12, 2018, the City entered into an Equipment Lease Purchase agreement with Community First National Bank for the purchase of a Rosenbauer EXT Aerial Tiller Fire Truck. The amount of the lease pertaining to governmental activities was \$1,291,081. The interest rate for the 5 year lease is 3.544% with principal lease payments ranging from \$249,076 to \$276,507.

If the City should default under any of the provisions hereof, the lessor may charge interest on all amounts due at 10% per annum or the maximum amount permitted by law, whichever is less. There have been no events of default since the lease was entered into.

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The annual debt services requirement for the lease outstanding as of June 30, 2022 is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Purchase Option</u>
	\$	\$	\$	\$
2023	276,507	9,799	286,306	-
Total	<u>276,507</u>	<u>9,799</u>	<u>286,306</u>	<u>-</u>

On March 9, 2021, the City entered into a Master Equipment Lease Purchase Agreement with Bank of America for the refinancing of the Solar Project Equipment by prepayment of the 2012 Solar Lease with Santa Cruz County and acquiring four solid waste collection vehicles and one sewer cleaning vehicle. See Capital Lease (Direct Borrowing) – Business-Type Activities for further information. The amount of the lease pertaining to governmental activities was \$1,649,451. Interest rate for the 7 year lease is 1.25% with principal lease payments ranging from \$137,956 to \$279,708.

If the City should default under any of the provisions hereof, the lessor may (1) declare defaulted and all other amounts payable to be immediately due, (2) retake possession or require the City to promptly return such equipment, (3) terminate the lease or (4) take legal action necessary and desirable to enforce its rights. There have been no events of default since the lease was entered into.

The annual requirement to amortize the lease outstanding for governmental activities as of June 30, 2022 is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
	\$	\$	\$
2023	271,318	11,961	283,279
2024	274,086	9,192	283,278
2025	276,883	6,396	283,279
2026	279,708	3,571	283,279
2027	<u>140,922</u>	<u>717</u>	<u>141,639</u>
Total	<u>1,242,917</u>	<u>31,837</u>	<u>1,274,754</u>

**Business-Type Activities -**

On March 9, 2021, the City entered into a Master Equipment Lease Purchase agreement with Bank of America for the purchase of a Sewer Cleaning Vehicle Truck. The amount of the lease pertaining to the Sewer Fund was \$503,037. Interest rate for the 6 year lease is 1.25% with principal lease payments ranging from \$45,873 to \$93,206.



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If the City should default under any of the provisions hereof, the lessor may (1) declare defaulted and all other amounts payable to be immediately due, (2) retake possession or require the City to promptly return such equipment, (3) terminate the lease or (4) take legal action necessary and desirable to enforce its rights. There have been no events of default since the lease was entered into.

The annual requirement to amortize the lease outstanding in the Sewer Fund as of June 30, 2022 is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
	\$	\$	\$
2023	90,546	3,335	93,881
2024	91,424	2,457	93,881
2025	92,310	1,571	93,881
2026	93,206	676	93,882
Total	<u>367,486</u>	<u>8,039</u>	<u>375,525</u>

On March 9, 2021, the City entered into a Master Equipment Lease Purchase agreement with Bank of America for the purchase of four solid waste collection vehicle trucks. The amount of the lease pertaining to the Solid Waste Fund was \$1,809,432. The interest rate for the 6 year lease is 1.25% with principal lease payments ranging from \$165,008 to \$335,528.

If the City should default under any of the provisions hereof, the lessor may (1) declare defaulted and all other amounts payable to be immediately due, (2) retake possession or require the City to promptly return such equipment, (3) terminate the lease or (4) take legal action necessary and desirable to enforce its rights. There have been no events of default since the lease was entered into.

The annual requirement to amortize the lease outstanding in the Solid Waste Fund as of June 30, 2022 is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
	\$	\$	\$
2023	325,698	11,994	337,692
2024	328,855	8,838	337,693
2025	332,041	5,651	337,692
2026	335,259	2,433	337,692
Total	<u>1,321,853</u>	<u>28,916</u>	<u>1,350,769</u>

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**Changes in long-term liabilities**

Long-term liabilities activity for the fiscal year ended June 30, 2022, are as follows:

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
Governmental activities:					
Direct Borrowings:	\$	\$	\$	\$	\$
Notes payable	2,937,862	-	(784,640)	2,153,222	781,123
Subtotal	2,937,862	-	(784,640)	2,153,222	781,123
Other Liabilities:					
Compensated absences	2,213,032	1,048,445	(1,069,639)	2,191,838	131,510
Net OPEB liability	2,017,944	1,613,516	-	3,631,460	-
Net pension liability	66,279,043	-	(24,134,077)	42,144,966	-
Total Governmental activities	73,447,881	2,661,961	(25,988,356)	50,121,486	912,633
Long-term liabilities					
Business-type activities:					
Loans payable (2019 PG&E various, Sewer	\$	\$	\$	\$	\$
Notes payable (2015 SWRCB, 2019 SWRCB)	5,793,370	-	(299,025)	5,494,345	260,147
Compensated absences	2,357,146	-	(480,392)	1,876,754	477,753
Net OPEB liability	1,009,544	603,681	(582,459)	1,030,766	61,845
Net pension liabilities	1,515,696	-	(110,556)	1,405,140	-
Landfill closure / post-closure liabilities	23,586,512	-	(10,006,493)	13,580,019	-
Long-Term liabilities	3,680,437	-	-	3,680,437	40,000
Total Business-type activities	37,942,705	603,681	(11,478,925)	27,067,461	839,745

General Fund, Library Fund Sewer Fund, Water Fund, Airport Fund and Solid Waste Fund all were required to pay their portion of costs related to other Net OPEB Liabilities and Net Pension Liabilities.

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**IV. Other information**

**A. Risk management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City also provides health insurance coverage to employees. There have been no significant reductions in insurance coverage for any risk of loss in the past fiscal year, and settled claims have not exceeded the commercial coverage in any of the past three fiscal years. The City has established a risk management fund to account for and finance its uninsured risks of loss.

The City's risk management programs provide coverage for up to a maximum of \$150,000 for each Workers' Compensation claim; \$500,000 for each General Liability claim. The City purchases commercial insurance for claims in excess of coverage provided by the self-insurance programs. There have been no significant changes in insurance coverage as compared to last fiscal year.

All funds of the City participate in the self-insurance programs. The employee health insurance program is funded by contributions of a flat rate per employee to the self-insurance fund. Other self-insurance programs are funded by budgeted appropriations. Funding is estimated to provide amounts needed to pay prior and current fiscal year claims and to establish reserves for catastrophic losses.

Liabilities in the self-insurance Internal services fund at June 30, 2022 totaled \$3,792,529 as follows: Health Benefits \$92,446; General Liability \$1,254,030; and Workers' Compensation \$2,446,053.

The basis for estimating incurred but not reported claims is based on the statute of limitation on accepting claims as follows:

Health Benefits are estimated at 2 times the current fiscal year's average monthly cost, General Liability is estimated at 6 months of current fiscal year's average monthly claim cost, and Workers' Compensation is estimated by using the last two weeks of current fiscal year's average monthly claim cost.

	<u>2020-2021</u>	<u>2021-2022</u>
Claims incurred but not reported:	\$	\$
Beginning	2,226,605	1,022,049
Incurred claims	51,216	2,040,881
Claims paid	<u>(1,255,772)</u>	<u>(1,716,454)</u>
Ending	<u>1,022,049</u>	<u>1,346,476</u>
Claims payable		
Beginning	2,345,006	2,628,520
Incurred claims	4,016,832	(2,589,343)
Claims paid	<u>(3,733,318)</u>	<u>2,406,876</u>
Ending	<u>2,628,520</u>	<u>2,446,053</u>
Total claims payable	<u><u>3,650,569</u></u>	<u><u>3,792,529</u></u>

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**B. Public entity risk pool**

In November 1994, the City became a member of the Public Agency Risk Sharing Authority of California (PARSAC), formerly known as California Municipal Insurance Authority (CMIA). PARSAC, a consortium of 34 municipalities and one fire district, which was established in May 1986 to pool resources, share risks, purchase excess insurance, and to share costs for professional risk management and claims administration. The Authority's governing board consists of one appointed official and an alternate from participating cities.

**General liability**

The City is self-insured for general liability claims up to \$500,000 (effective July 1, 2022) for each occurrence. Coverage for individual losses in excess of \$500,000, up to \$10,000,000 is provided through the California Intergovernmental Risk Authority (CIRA). Under this program, members share in losses between the members' individual self-insured retention and \$1,000,000 under a risk sharing pool program; and from \$1,000,000 to \$40,000,000, coverage is provided by another risk pool, CSAC-EIA.

Estimates for all liabilities have been accrued in the Self-Insurance Internal Service Fund, which included an estimate for incurred but not reported claims. At June 30, 2022, total estimated claims payable for General Liability were \$1,254,030.

**C. Commitments and Contingencies**

**Litigation**

Various claims and lawsuits are pending against the City. In the opinion of City management, the potential claims loss will not be significant to the City's financial statements.

**Grant audits**

The City receives grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could result in a request for reimbursement by the grantor for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of City management, such disallowance, if any, will not be significant.

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**Contingency**

Proposition 218, which was approved by the voters in November 1996, regulates the City's ability to impose, increase and extend taxes, assessments and fees. Any new, increased or extended taxes, assessments, and fees subject to the provisions of Proposition 218 require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future by the voters. Therefore, the City's ability to finance the services for which the taxes, assessments and fees were imposed may be significantly impaired. Certain language in the initiative is unclear as to the scope and impact of the proposition. Future court rulings or state legislation may clarify these issues. At this time it is uncertain as to the effect that Proposition 218 will have on the City's ability to maintain or increase the revenue it receives from taxes, assessments and fees, or its effect on interfund payments in lieu of taxes and transfers of surplus funds from enterprise funds to the general fund. Also unclear is the extent to which a 1995 California Supreme Court ruling (the *Guardino* case) upholding the voter approval requirements of a previously enacted state initiative (Proposition 62) is applicable to prior periods. However, because the City of Watsonville is a Charter City, management believes that the *Guardino* ruling does not apply to its general law application in the cited case.

**D. Post-employment health care benefits**

**Retiree benefits – COBRA benefits**

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City provides health care benefits to eligible former employees and their eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium plus a 2% administration fee is paid in full by the insured on or before the tenth day of the month for the actual month covered. This program is offered for a duration between 18 and 36 months, after the termination date, depending on circumstances related to eligibility to Medicare, death or divorce. During the last fiscal year two former employees participated in the program.

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**E. Defined Benefit Pension Plans**

The City has two defined benefit pension plans, a Miscellaneous Plan and a Safety Plan. The Miscellaneous Plan is an Agent-Multiple Employer Plan and the Safety Plan is a Cost-Sharing Employer Plan administered by the California Public Employees' Retirement System (CalPERS).

Below is a summary of the deferred outflows, net pension liabilities and deferred inflows of resources by Plan:

CalPERS Plan	Deferred Outflows of Resources	Net Pension Liability	Deferred Inflows of Resources	Pension Expense
	\$	\$	\$	\$
Miscellaneous - Agent Multiple Employer	6,973,089	26,706,790	13,357,762	2,140,406
Safety - Cost-Sharing Multiple Employer	12,238,219	29,018,195	19,947,039	7,523,036
Totals	<u>19,211,308</u>	<u>55,724,985</u>	<u>33,304,801</u>	<u>9,663,442</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Fiscal Year Ended June 30	Safety Plan Annual Amortization	Miscellaneous Plan Annual Amortization	Total Annual Amortization
	\$	\$	\$
2023	(2,229,281)	(2,537,075)	(4,766,356)
2024	(2,766,454)	(2,566,800)	(5,333,254)
2025	(3,702,737)	(2,963,521)	(6,666,258)
2026	(4,752,849)	(3,690,006)	(8,442,855)
Total	<u>(13,451,321)</u>	<u>(11,757,402)</u>	<u>(25,208,723)</u>

See Notes below for further information about the Plans.

**CALPERS miscellaneous employees plan**

**A. General Information about the Miscellaneous Pension Plan**

*Plan Description*

All qualified permanent and probationary miscellaneous employees are eligible to participate in the City's Miscellaneous Employee Pension Plan, agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employees. Benefit provisions under the Plan is established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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*Benefits Provided*

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 55 with statutorily reduced benefits. All members are eligible for nonduty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Miscellaneous		
	Prior to July 1, 2011	On or after July 1, 2011	On or after January 1, 2013
Hire date			
Benefit formula	2.0% @ 55	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	55	60	62
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.092% to 2.418%	1% to 2.5%
Required employee contribution rates	7.00%	7.00%	6.25%
Required employer contribution rates	8.08%	8.08%	12.555%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above as a dollar amount for contributions toward the unfunded actuarial liability (UAL). The dollar amounts are billed on a monthly basis or the City can elect a lump sum payment option. The City's required contribution for the unfunded liability in the Miscellaneous plan for the year ended June 30, 2022 was \$3,440,393, which were made under the lump sum payment option.

*Employees Covered*

The following employees were covered by the benefit terms for the Miscellaneous Plan as of the most recent actuarial valuation date of June 30, 2020 and measurement date as of June 30, 2021:

	Miscellaneous
Inactive employees or beneficiaries currently receiving benefits	325
Inactive employees entitled to but not yet receiving benefits	341
Active employees	299
Total	965

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*Contributions*

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

**B. Net Pension Liability**

The City's net pension liability for the Miscellaneous Plan is measured as the total pension liability less the pension plan's fiduciary net pension. The net pension liability of the Plan is measured as of June 30, 2021, using an annual actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions - The total pension liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	(1)
Investment Rate of Return	7.15% (2)
Mortality	Derived using CalPERS Membership Data for all Funds (3)

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, includes inflation

(3) The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.



**CITY OF WATSONVILLE, CALIFORNIA**  
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The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2020 valuation were based on the results of a December 2017 actuarial experience study for the period 1997 to 2015. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate for each Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contributions rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, each Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members for all plans in the PERF. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments of current plan members for all plans in the PERF.

Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability for each Plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

**CITY OF WATSONVILLE, CALIFORNIA**  
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**JUNE 30, 2022**

The table below reflects the long-term expected real rates of return by asset class:

Asset Class (a)	New Strategic Allocation	Real Return Years 1 - 10(b)	Real Return Years 11+(c)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	100.0%		

(a) In the CalPERS Annual Comprehensive Financial Report, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.0% used for this period.

(c) An expected inflation of 2.92% used for this period.

**C. Changes in the Net Pension Liability**

The changes in the Net Pension Liability for the Miscellaneous Plan were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	\$	\$	\$
Balance at June 30, 2020	162,350,328	118,980,216	43,370,112
Changes in the year:			
Service cost	3,154,808	-	3,154,808
Interest on the total pension liability	11,578,015	-	11,578,015
Differences between actual and expected experience	1,720,257	-	1,720,257
Contribution - employer	-	4,850,242	(4,850,242)
Contribution - employee	-	1,488,988	(1,488,988)
Net investment income	-	26,896,026	(26,896,026)
Benefit payments, including refunds of employee contributions	(7,435,396)	(7,435,396)	-
Administrative expense	-	(118,854)	118,854
Net changes	9,017,684	25,681,006	(16,663,322)
Balance at June 30, 2021	171,368,012	144,661,222	26,706,790

**CITY OF WATSONVILLE, CALIFORNIA**  
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Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City for the Plan, calculated using the discount rate for the Plan, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percent point lower or 1-percent point higher than the current rate:

1% Decrease	6.15%
Net Pension Liability	\$49,783,889
1% Decrease	7.15%
Net Pension Liability	\$26,706,790
1% Increase	8.15%
Net Pension Liability	\$7,616,706

Pension Plan Fiduciary Net Pension – Detailed information about the pension plan’s fiduciary net position is available in the separate issued CalPERS financial report.

***D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension***

For the fiscal year ended June 30, 2022, the City recognized pension expense of \$2,140,406. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	\$	\$
Pension contributions subsequent to measurement date	5,372,729	-
Differences between actual and expected experience	1,600,360	-
Changes in assumptions	-	-
Net differences between projected and actual earnings on plan investments	-	(13,357,762)
Total	<u>6,973,089</u>	<u>(13,357,762)</u>

**CITY OF WATSONVILLE, CALIFORNIA**  
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The amount of \$5,372,729 was reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflow of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
	\$
2023	(2,537,075)
2024	(2,566,800)
2025	(2,963,521)
2026	(3,690,006)
Total	<u>(11,757,402)</u>

**CALPERS Safety (Police & Fire) Employees Plan**

***A. General Information about the Safety Pension Plan***

*Plan Descriptions*

All qualified public safety permanent and probationary employees are eligible to participate in the City's Safety Employee Pension Plan, cost-sharing multiple employer defined benefit plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

*Benefits Provided*

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for nonduty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

**CITY OF WATSONVILLE, CALIFORNIA**  
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The Plans' provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Safety		
	Prior to July 1, 2011	After July 1, 2011	After July 1, 2013
Hire date			
Benefit formula	3% @ 50	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	55	57
Monthly benefits, as a % of eligible compensation	3.0%	2.4%-3.0%	2.0%-2.7%
Required employee contribution rates	9.0%	9.0%	13.0%
Required employer contribution rates	23.71%	20.64%	13.13%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above as a dollar amount for contributions toward the unfunded actuarial liability (UAL). The dollar amounts are billed on a monthly basis or the City can elect a lump sum payment option. The City's required contribution for the unfunded liability in the Safety plan for the year ended June 30, 2022 was \$3,439,748, which were made under the lump sum payment option.

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the fiscal year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Contributions to the pension plan from the City were \$5,742,501 for the fiscal year ended June 30, 2022.

***B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions***

For purposes of measuring the net pension liability and deferred outflow/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

**CITY OF WATSONVILLE, CALIFORNIA**  
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As of June 30, 2022, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	<u>Safety Plans</u>
Proportion - June 30, 2020	0.69788%
Proportion - June 30, 2021	0.82685%
Change - Increase (Decrease)	<u>0.12897%</u>

For the year ended June 30, 2022, the City recognized pension expense of \$7,523,036 for the Safety Plan. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
	\$	\$
Pension contributions subsequent to measurement date	5,742,501	-
Differences between actual and expected experience	4,957,734	-
Changes in assumptions	-	-
Net differences between projected and actual earnings on plan investments	-	(17,271,404.00)
Differences between actual contributions and proportional contributions	-	(2,675,635)
Adjustment due to differences in proportion	1,537,984	-
Total	<u>12,238,219</u>	<u>(19,947,039)</u>

The amount of \$5,742,501 was reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	<u>Annual Amortization</u>
	\$
2023	(2,229,281)
2024	(2,766,454)
2025	(3,702,737)
2026	(4,752,849)
Total	<u>(13,451,321)</u>

**CITY OF WATSONVILLE, CALIFORNIA**  
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*Actuarial Assumptions*

For the measurement period ended June 30, 2021, the total pension liability was determined by rolling forward the June 30, 2020 total pension liability. The June 30, 2020 total pension liabilities were based on the following actuarial methods and assumptions for all benefit tiers:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	(1)
Investment Rate of Return	7.15% (2)
Mortality	Derived using CalPERS Membership Data for all Funds (3)

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, includes inflation
- (3) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using the Society of Actuarial Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2020 valuation were based on the results of a December 2017 actuarial experience study for the period 1997 to 2015. Further details of the Experience Study can be found on the CalPERS website.

**CITY OF WATSONVILLE, CALIFORNIA**  
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*Discount Rate* – The discount rate used to measure the total pension liability for the plan was 7.15%. The projection used to determine the discount rate for the Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds’ asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the expected real rates of return by asset class.

Asset Class (a)	New Strategic Allocation	Real Return Years 1 - 10(b)	Real Return Years 11+(c)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	100.0%		

(a) In the CalPERS Annual Comprehensive Financial Report, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.0% used for this period.

(c) An expected inflation of 2.92% used for this period.



**CITY OF WATSONVILLE, CALIFORNIA**  
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*Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in Discount Rate –* The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.15 percent) or 1- percentage point higher (8.15 percent) than the current rate:

	<u>Safety</u>
1% Decrease	6.15%
Net Pension Liability	\$52,193,129
Current Discount Rate	7.15%
Net Pension Liability	\$29,018,195
1% Increase	8.15%
Net Pension Liability	\$9,982,849

*Pension Plan Fiduciary Net Position –* Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

**F. Successor Agency Private-Purpose Trust Fund for Assets of former Redevelopment Agency of the City of Watsonville.**

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Watsonville that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or other unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local governments. On January 10, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City.

**Resolution Number 4-12**

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence as the date of the dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

Successor agencies are allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

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The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the state Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The following is a schedule of long-term liabilities for the fiscal year ended June 30, 2022:

	Balance June 30, 2021	Retirements	Balance June 30, 2022	Due Within One Year
	\$	\$	\$	\$
Refunding tax allocation bonds	8,210,000	(1,325,000)	6,885,000	1,390,000
Bond Premium	1,123,079	(86,391)	1,036,688	-
Total Bonds Payable	9,333,079	(1,411,391)	7,921,688	1,390,000
Notes Payable	1,855,275	(391,523)	1,463,752	955,275
Net OPEB Liability	64,461	(64,461)	-	-
Total	11,252,815	(1,867,375)	9,385,440	2,345,275

**Tax allocation refunding bonds**

In June of 2004 the former Redevelopment Agency of the City of Watsonville issued tax allocation bonds in three series as follows:

1. Series A - \$19,000,000
2. Series B-1 - \$2,310,000
3. Series B-2 - \$4,635,000

In April of 2016, the Successor Agency issued \$11,790,000 of 2016 Tax Allocation Refunding Bonds, Series A and \$2,420,000 of 2016 Tax Allocation Refunding Bonds, Taxable Series B for a current refunding of the \$14,190,000 2004 Tax Allocation Bonds Series A and B-1 and \$2,720,000 Tax Allocation Taxable Series B-2 Bonds. The Series A refunding bonds had \$2,965,772 of additional funding and Series B had \$410,577 of additional funding. The refunding was done to reduce future debt service payments.

**CITY OF WATSONVILLE, CALIFORNIA**  
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The transaction resulted in an economic gain of \$3,269,616 and a reduction of \$3,856,103 in future debt service payments and accounting loss of \$163,765 which is shown as a deferred outflow of resources to be amortized over the life of the bonds.

The annual debt services requirements for the loan outstanding as of June 30, 2022 is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
	\$	\$	\$
2023	1,390,000	296,950	1,686,950
2024	1,465,000	227,450	1,692,450
2025	945,000	154,200	1,099,200
2026	295,000	106,950	401,950
2027	305,000	92,200	397,200
2028-2032	1,715,000	290,788	2,005,788
2033-2034	770,000	34,800	804,800
Total	<u>6,885,000</u>	<u>1,203,338</u>	<u>8,088,338</u>

**Net OPEB Liability**

As of the transfer of the former Agency assets to the Successor Agency, the Net OPEB liability was \$0. This amount will be reduced by an allocation of future costs incurred by the City from former staff members of the former Agency.

**Notes Payable**

The City and former Agency had several notes payable from the former Agency to the City for various costs and fees associated with the construction of the Civic Plaza as follows:

Parking Garage Loan for Construction Costs \$1,855,275

The State of California deemed these notes as a non-enforceable obligation, and the City could not be paid back until a finding of completion was received from the State's Department of Finance, which the City received on February 21, 2014 and the Successor Agency's oversight board made a finding that the notes were for a legitimate redevelopment purpose. The Oversight Board also made the finding for all the above notes. The notes are allowed to add interest based on the State of California Local Agency Investment Fund's (LAIF) monthly interest rate. Interest has been projected for the debt service at the most recent rate available.

**Debt Payable Recap:**

**Parking Garage Loan**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	\$	\$	\$
2023	955,275	876	956,151
Total	<u>955,275</u>	<u>876</u>	<u>956,151</u>

## **Required Supplementary Information**

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CITY OF WATSONVILLE, CALIFORNIA  
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS  
LAST EIGHT FISCAL YEARS  
JUNE 30, 2022

The following table provides required supplementary information regarding the City's Miscellaneous Pension Plan:

MEASUREMENT DATE:	2014	2015	2016	2017	2018	2019	2020	2021
<b>TOTAL PENSION LIABILITY</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Service Cost	2,348,593	2,251,567	2,250,229	2,616,009	2,696,646	2,918,120	3,126,358	3,154,808
Interest	8,369,558	8,741,399	9,093,428	9,502,933	9,872,907	10,452,164	10,957,570	11,578,015
Differences between expected and actual experience	-	(1,088,430)	(1,307,204)	(160,738)	(622,350)	1,523,815	181,334	1,720,257
Changes in assumptions	-	(2,194,095)	-	8,126,558	(617,380)	-	-	-
Changes in benefits	-	-	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(4,554,651)	(4,874,482)	(5,292,339)	(5,612,765)	(5,877,340)	(6,327,905)	(6,846,317)	(7,435,396)
Net change in total pension liability	6,163,500	2,835,959	4,744,114	14,471,997	5,452,483	8,566,194	7,418,945	9,017,684
Total pension liability - beginning	112,697,136	118,860,636	121,696,595	126,440,709	140,912,706	146,365,189	154,931,383	162,350,328
Total pension liability - ending (a)	118,860,636	121,696,595	126,440,709	140,912,706	146,365,189	154,931,383	162,350,328	171,368,012
<b>PLAN FIDUCIARY NET POSITION</b>								
Contributions - employer	1,750,491	1,881,144	2,288,840	2,856,260	3,443,447	3,756,237	4,648,909	4,850,242
Contributions - employee	1,087,253	1,064,147	1,145,223	1,265,745	1,301,275	1,520,671	1,474,994	1,488,988
Net investment income (1)	14,090,974	2,081,010	501,726	10,269,390	8,537,327	7,097,297	5,707,428	26,896,026
Administrative expense	-	(105,873)	(57,299)	(136,723)	(457,364)	(76,957)	(160,932)	(118,854)
Benefit payments, including refunds of employee contributions	(4,554,651)	(4,874,482)	(5,292,339)	(5,612,765)	(5,877,340)	(6,327,905)	(6,846,317)	(7,435,396)
Net Plan to Plan Resource Movement	-	-	-	(2,203)	(250)	(3,911)	-	-
Other Miscellaneous Income/(Expense)	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	12,374,067	45,946	(1,413,849)	8,639,704	6,947,095	5,965,432	4,824,082	25,681,006
Plan fiduciary net position - beginning	81,597,739	93,971,806	94,017,752	92,603,903	101,243,607	108,190,702	114,156,134	118,980,216
Plan fiduciary net position - ending (b)	93,971,806	94,017,752	92,603,903	101,243,607	108,190,702	114,156,134	118,980,216	144,661,222
Net pension liability - ending (a)-(b)	24,888,830	27,678,843	33,836,806	39,669,099	38,174,487	40,775,249	43,370,112	26,706,790
Plan fiduciary net position as a percentage of the total pension liability	79.06%	77.26%	73.24%	71.85%	73.92%	73.68%	73.29%	84.42%
Covered payroll	17,390,545	17,452,658	17,680,742	18,366,981	18,917,990	19,029,329	20,531,347	21,939,351
Net pension liability as percentage of covered-employee payroll	143.12%	158.59%	191.38%	215.98%	201.79%	214.28%	211.24%	121.73%

**Notes to Schedule:**

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions: In 2017, the accounting discount rate reduced from 7.65% to 7.15%. In 2016, 2018, 2019, and 2020, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2014, amounts were based on the 7.5% discount rate.

\* Fiscal year 2015 was the 1st year of implementation.

CITY OF WATSONVILLE, CALIFORNIA  
SCHEDULE OF CONTRIBUTIONS  
LAST EIGHT FISCAL YEARS\*  
JUNE 30, 2022

The following table provides required supplementary information regarding the City's Miscellaneous Pension Plan:

	2015	2016	2017	2018	2019	2020	2021	2022
	\$	\$	\$	\$	\$	\$	\$	\$
Contractually required contribution	1,769,613	2,299,823	2,288,840	2,856,260	3,756,236	4,648,909	4,850,246	5,372,729
Contributions in relation to the actuarially determined contributions	(1,769,613)	(2,299,823)	(2,288,840)	(2,856,260)	(3,756,236)	(4,648,909)	(4,850,246)	(5,372,729)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
Covered payroll	17,452,658	17,680,742	18,366,981	18,917,990	19,029,329	20,531,347	21,939,351	22,534,340
Contributions as a percentage of covered payroll	10.14%	13.01%	12.46%	15.10%	19.74%	22.64%	22.11%	23.84%

**Notes to Schedule**

Valuation date: 6/30/20

Methods and assumptions used to determine contribution rates:

Discount Rate  
7.15% @ 6/30/2020  
7.15% @ 6/30/2019  
7.15% @ 6/30/2018  
7.15% @ 6/30/2017  
7.65% @ 6/30/2016  
7.65% @ 6/30/2015  
7.50% @ 6/30/2014

Inflation 2.75% for 2015 to 2019, 2.625% for 2020, and 2.50% for 2021 & 2022

Salary increases Varies by Entry Age and Service

Investment rate of return 7.50% for 2015 to 2018, 7.375% for 2019, 7.25% for 2020, and 7.00% for 2021 & 2022, net of pension plan investment expenses, including inflation.

Mortality Rate Table (1) Derived using CalPERS' Membership Data for all Funds

Post Retirement Benefit Increase Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

(1) The probabilities of mortality are based on the CalPERS Experience Study. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries for 2015 to 2018. For 2019 to 2022, pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

\* Fiscal year 2015 was the 1st year of implementation.

CITY OF WATSONVILLE, CALIFORNIA  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
LAST EIGHT FISCAL YEARS\*  
JUNE 30, 2022

The following table provides required supplementary information regarding the City's Safety Pension Plan:

	2014	2015	2016	2017	2018	2019	2020	2021
	\$	\$	\$	\$	\$	\$	\$	\$
Proportion of the net pension liability	0.358953%	0.379737%	0.387650%	0.388914%	0.666691%	0.679156%	0.697883%	0.826850%
Proportionate share of the net pension liability	22,335,737	26,064,837	33,543,690	38,569,604	39,118,450	42,396,602	46,495,443	29,018,195
Covered payroll	10,541,326	9,190,095	9,792,080	11,557,360	11,496,504	11,783,799	12,765,651	12,422,544
Proportionate share of the net pension liability as percentage of covered payroll	211.89%	283.62%	342.56%	333.72%	340.26%	359.79%	364.22%	233.59%
Plan's total pension liability	30,829,966,631	31,771,217,402	18,961,274,094	21,144,800,930	22,053,702,155	23,442,265,225	24,782,493,361	172,165,293
Plan fiduciary net position	24,607,502,515	24,907,305,871	13,782,056,004	15,169,595,595	16,186,149,467	17,199,726,799	18,120,140,152	143,147,098
Plan fiduciary net position as a percentage of the total pension liability	79.82%	78.40%	72.69%	71.74%	73.39%	73.37%	73.12%	83.15%

**Notes to Schedule:**

\* Fiscal year 2015 was the 1st year of implementation. Years will be added until 10 years of data is reached.



CITY OF WATSONVILLE, CALIFORNIA  
SCHEDULE OF CONTRIBUTIONS  
LAST EIGHT FISCAL YEARS\*  
JUNE 30, 2022

The following table provides required supplementary information regarding the City's Safety Pension Plan:

	2015	2016	2017	2018	2019	2020	2021	2022
	\$	\$	\$	\$	\$	\$	\$	\$
Actuarially determined contribution	2,648,853	2,921,288	3,364,471	3,606,866	3,940,104	4,649,154	5,129,097	5,742,501
Contributions in relation to the actuarially determined contributions	(2,648,853)	(2,921,288)	(3,364,471)	(3,606,866)	(4,006,904)	(4,699,442)	(5,129,097)	(5,742,501)
Contribution deficiency (excess)	-	-	-	-	(66,800)	(50,288)	-	-
Covered payroll	9,190,095	9,792,080	11,557,360	11,496,504	11,783,799	12,765,651	12,422,544	13,235,291
Contributions as a percentage of covered payroll	28.82%	29.83%	29.11%	31.37%	34.00%	36.81%	41.29%	43.39%

**Notes to Schedule**

Valuation date:	6/30/20
Methods and assumptions used to determine contribution rates:	
Discount Rate	7.15% @ 6/30/2020 7.15% @ 6/30/2019 7.15% @ 6/30/2018 7.15% @ 6/30/2017 7.65% @ 6/30/2016 7.65% @ 6/30/2015 7.50% @ 6/30/2014
Inflation	2.75% for 2015 to 2019, 2.625 for 2020, and 2.50% for 2021 & 2022
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.50% for 2015 to 2018, 7.375% for 2019, 7.25% for 2020, and 7.00% for 2021 & 2022, net of pension plan investment expenses, including inflation.
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

(1) The probabilities of mortality are based on the CalPERS Experience Study. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries for 2015 to 2018. For 2019 to 2022, pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

\* Fiscal year 2015 was the 1st year of implementation. Years will be added until 10 years of data is reached.

# **City of Watsonville, California**

## **Nonmajor Governmental Funds**

### **Special Revenue Funds**

#### **Gas Tax**

The City of Watsonville receives various revenues from taxes imposed on the sale of gasoline. These funds are to be used for maintaining and improving Watsonville's roads and transportation system.

#### **Narcotics Assets Seizure**

Federal and State law authorize the seizure of assets used in the sale of illegal drugs. The proceeds from these seizures are to be used to further Police enforcement. These monies are accounted for in this fund.

#### **Business Development**

This fund collects a business license surcharge and downtown property tax assessment which is then remitted to the Chamber of Commerce and Economic Development for their respective purposes.

#### **Economic Development**

Funds held for economic development. The fund receives interest income and loan payoffs that are used to support economic development.

#### **Library**

The Library Fund receives sales tax, grants, donations and state subventions for the advancement of the Library in Watsonville. This fund receives such revenues and records their expenditures.

#### **Parks Development**

This fund's revenues are grants, park development impact fees and 1972 Landscape and Lighting Assessment fees. These funds are used to acquire, improve and maintain the government's parks.

#### **Retirement Tax**

The City of Watsonville participates in the California Public Employees Retirement System. The government's contribution for General Fund employees is funded by a voter approved property tax override. The tax is collected in this fund and then used to pay for appropriate retirement expenses.

**(Continued)**

# **City of Watsonville, California**

## **Nonmajor Governmental Funds**

### **Special Revenue Funds**

#### **Parking Garage**

This fund is used to record operating costs used to maintain the government's parking garage downtown.

#### **Measure G /Y**

This fund was established in 2014, the Citizens of Watsonville approved an additional sales tax of .5% for seven years to increase funding for public safety.

#### **Abandoned Vehicle**

The government has assigned a Watsonville Police Department Service Specialist to aggressively enforce all State laws and City of Watsonville Ordinances pertaining to the abatement of all abandoned, wrecked, dismantled, inoperative vehicles or parts from any and all private or public properties. This fund collects State and County funds used to pay for these services.

#### **Inclusionary Housing**

The government levies an impact fee on all market rate housing development, which either requires a specified number of below market housing units be created or the payment of a fee. This fund collects those fees and uses them to create low-income housing.

#### **SB 1 Gas Tax**

This fund was established in 2017, which increased the gas tax by \$0.12 per gallon, increased the diesel fuel tax by \$0.20 per gallon, increased the sales tax on diesel fuels by an additional 4 percentage points, created an annual transportation improvement fee, and created an annual zero-emission vehicles fee.

#### **Measure D**

This fund was established in 2017, Measure D is a comprehensive and inclusive package of transportation improvements passed in November 2016 by over 2/3 of Santa Cruz County voters. This ½-cent sales tax guarantees every city and the county a steady, direct source of local funding for local streets and road maintenance, bicycle and pedestrian projects (especially near schools), safety projects, and transit and paratransit service, as well as numerous essential transportation projects and programs throughout the county.

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CITY OF WATSONVILLE, CALIFORNIA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2022

	Special Revenue Funds						
	GAS TAX	NARCOTICS ASSETS SEIZURE	BUSINESS DEVELOPMENT	ECONOMIC DEVELOPMENT	LIBRARY	PARKS DEVELOPMENT	RETIREMENT TAX
	\$	\$	\$	\$	\$	\$	\$
ASSETS:							
Cash and investments	780,539	219,423	219,332	28,409	1,666,381	2,229,116	371,077
Receivables:							
Interest	-	-	-	45,370	-	-	-
Taxes	96,209	-	-	-	-	-	156,678
Accounts	3,533	-	3,927	-	338,018	10,115	-
Intergovernmental	303,231	-	-	-	-	-	-
Advances receivable	-	-	-	-	17,878	18,045	-
Loans receivable	-	-	-	52,068	-	-	-
Total Assets	1,183,512	219,423	223,259	125,847	2,022,277	2,257,276	527,755
LIABILITIES:							
Accounts payable	51,280	32,721	-	-	45,140	19,394	-
Accrued personnel costs	22,834	-	-	-	-	3,296	-
Retentions payable	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-
Deposits payable	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Total Liabilities	74,114	32,721	-	-	45,140	22,690	-
Deferred Inflows of Resources							
Unavailable revenue	303,231	-	15,988	97,437	-	-	-
Total Deferred Inflows of Resources	303,231	-	15,988	97,437	-	-	-
Fund Balances:							
Nonspendable	-	-	-	-	17,878	18,045	-
Restricted for:							
Assets seizure	-	186,702	-	-	-	-	-
Business development	-	-	207,271	-	-	-	-
Economic development	-	-	-	28,410	-	-	-
Library	-	-	-	-	1,959,259	-	-
Parks development	-	-	-	-	-	2,216,541	-
Retirement tax	-	-	-	-	-	-	527,755
Measure G/Y	-	-	-	-	-	-	-
Inclusionary housing	-	-	-	-	-	-	-
SB1 gas tax	806,167	-	-	-	-	-	-
Measure D	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total Fund Balances	806,167	186,702	207,271	28,410	1,977,137	2,234,586	527,755
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	1,183,512	219,423	223,259	125,847	2,022,277	2,257,276	527,755

Continued

CITY OF WATSONVILLE, CALIFORNIA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2022

	Special Revenue Funds						TOTAL
	PARKING GARAGE	MEASURE G/Y	ABANDONED VEHICLE	INCLUSIONARY HOUSING	SB 1 GAS TAX	MEASURE D	
	\$	\$	\$	\$	\$		\$
ASSETS:							
Cash and investments	541	3,189,574	22,082	197,815	1,922,182	3,304,950	14,151,421
Receivables:							
Interest	-	-	-	145,003	-	-	190,373
Taxes	-	928,585	-	-	94,300	300,489	1,576,261
Accounts	7,783	-	-	-	-	-	363,376
Intergovernmental	-	-	-	-	-	-	303,231
Advances receivable	-	-	-	4,751	-	-	40,674
Loans receivable	-	-	-	1,606,538	-	-	1,658,606
Total Assets	8,324	4,118,159	22,082	1,954,107	2,016,482	3,605,439	18,283,942
LIABILITIES:							
Accounts payable	7,820	477,995	-	23,129	62,104	39,770	759,353
Accrued personnel costs	-	146,499	-	13,356	-	-	185,985
Retentions payable	-	-	-	-	-	-	-
Unearned revenue	1,230	-	-	-	-	-	1,230
Deposits payable	-	-	-	-	-	-	-
Due to other funds	381,190	-	-	-	-	-	381,190
Total Liabilities	390,240	624,494	-	36,485	62,104	39,770	1,327,758
Deferred Inflows of Resources							
Unavailable revenue	-	-	-	1,751,542	-	-	2,168,198
Total Deferred Inflows of Resources	-	-	-	1,751,542	-	-	2,168,198
Fund Balances:							
Nonspendable	-	-	-	4,751	-	-	40,674
Restricted for:							
Assets seizure	-	-	-	-	-	-	186,702
Business development	-	-	-	-	-	-	207,271
Economic development	-	-	-	-	-	-	28,410
Library	-	-	-	-	-	-	1,959,259
Parks development	-	-	-	-	-	-	2,216,541
Retirement tax	-	-	-	-	-	-	527,755
Measure G/Y	-	3,493,665	-	-	-	-	3,493,665
Abandoned vehicle	-	-	22,082	-	-	-	22,082
Inclusionary housing	-	-	-	161,329	-	-	161,329
SB1 gas tax	-	-	-	-	1,954,378	-	2,760,545
Measure D	-	-	-	-	-	3,565,669	3,565,669
Unassigned	(381,916)	-	-	-	-	-	(381,916)
Total Fund Balances	(381,916)	3,493,665	22,082	166,080	1,954,378	3,565,669	14,787,986
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	8,324	4,118,159	22,082	1,954,107	2,016,482	3,605,439	18,283,942
							Concluded

**CITY OF WATSONVILLE, CALIFORNIA**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Special Revenue Funds						
	GAS TAX	NARCOTICS ASSETS SEIZURE	BUSINESS DEVELOPMENT	ECONOMIC DEVELOPMENT	LIBRARY	PARKS DEVELOPMENT	RETIREMENT TAX
	\$	\$	\$	\$	\$	\$	\$
REVENUES:							
Taxes	-	-	-	-	4,017,058	-	3,789,571
Licenses, permits and fees	-	-	96,884	-	11,532	271,147	-
Intergovernmental	1,209,629	-	-	-	63,430	-	-
Charges for services	-	-	-	-	-	-	-
Interest	2,564	807	798	-	4,948	7,628	-
Miscellaneous	(370)	12,216	-	2,393	9,750	-	-
Total revenues	1,211,823	13,023	97,682	2,393	4,106,718	278,775	3,789,571
EXPENDITURES:							
Current:							
General government	-	-	15,000	-	-	-	1,147
Public safety	-	50,013	-	-	-	-	-
Housing	-	-	-	-	-	-	-
Streets	1,127,455	-	-	-	-	-	-
Culture and recreation	-	-	-	-	3,155,170	199,281	-
Total expenditures	1,127,455	50,013	15,000	-	3,155,170	199,281	1,147
Excess (deficiency) of revenues over (under) expenditures	84,368	(36,990)	82,682	2,393	951,548	79,494	3,788,424
OTHER FINANCING SOURCES (USES):							
Transfers in	-	-	-	-	-	-	-
Transfers (out)	-	-	(24,900)	-	(187,697)	-	(3,631,386)
Total other financing sources (uses)	-	-	(24,900)	-	(187,697)	-	(3,631,386)
Net change in fund balances	84,368	(36,990)	57,782	2,393	763,851	79,494	157,038
Fund balances, July 1	721,799	223,692	149,489	26,017	1,213,286	2,155,092	370,717
Fund balances, June 30	806,167	186,702	207,271	28,410	1,977,137	2,234,586	527,755
							<b>Continued</b>

**CITY OF WATSONVILLE, CALIFORNIA**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Special Revenue Funds						
	PARKING GARAGE	MEASURE G/Y	ABANDONED VEHICLE	INCLUSIONARY HOUSING	SB 1 GAS TAX	MEASURE D	TOTAL
	\$	\$	\$	\$	\$	\$	\$
REVENUES:							
Taxes	-	5,248,855	-	-	1,032,484	1,260,173	15,348,141
Licenses, permits and fees	117,113	25,268	62,878	78,920	-	-	663,742
Intergovernmental	-	-	-	-	-	-	1,273,059
Charges for services	-	-	-	22,247	-	-	22,247
Interest	-	11,881	-	1,315	6,536	9,889	46,366
Miscellaneous	(39)	-	-	2,949	-	215,326	242,225
Total revenues	117,074	5,286,004	62,878	105,431	1,039,020	1,485,388	17,595,780
EXPENDITURES:							
Current:							
General government	180,141	-	-	-	-	-	196,288
Public safety	-	5,231,130	60,000	-	-	-	5,341,143
Housing	-	-	-	473,532	-	-	473,532
Streets	-	-	-	-	875,374	505,797	2,508,626
Culture and recreation	-	-	-	-	-	-	3,354,451
Total expenditures	180,141	5,231,130	60,000	473,532	875,374	505,797	11,874,040
Excess (deficiency) of revenues over (under) expenditures	(63,067)	54,874	2,878	(368,101)	163,646	979,591	5,721,740
OTHER FINANCING SOURCES (USES):							
Transfers in	93,195	-	-	-	-	-	93,195
Transfers (out)	(7,330)	(286,307)	-	-	-	-	(4,137,620)
Total other financing sources (uses)	85,865	(286,307)	-	-	-	-	(4,044,425)
Net changes in fund balances	22,798	(231,433)	2,878	(368,101)	163,646	979,591	1,677,315
Fund balances, July 1	(404,714)	3,725,098	19,204	534,181	1,790,732	2,586,078	13,110,671
Fund balances, June 30	(381,916)	3,493,665	22,082	166,080	1,954,378	3,565,669	14,787,986
							<b>Concluded</b>



**CITY OF WATSONVILLE, CALIFORNIA**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	GAS TAX				NARCOTICS ASSETS SEIZURE			
	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final			Original	Final		
	\$	\$			\$	\$		
REVENUES:								
Taxes	-	-	-	-	-	-	-	-
Intergovernmental	1,209,629	1,209,629	1,209,629	-	-	-	-	-
Interest	2,562	2,562	2,564	2	807	807	807	-
Miscellaneous	(370)	(370)	(370)	-	12,216	12,216	12,216	-
Total revenues	1,211,821	1,211,821	1,211,823	2	13,023	13,023	13,023	-
EXPENDITURES:								
Public safety	-	-	-	-	50,013	50,013	50,013	-
Streets	1,127,455	1,127,455	1,127,455	-	-	-	-	-
Total expenditures	1,127,455	1,127,455	1,127,455	-	50,013	50,013	50,013	-
Net changes in fund balances	84,366	84,366	84,368	(2)	(36,990)	(36,990)	(36,990)	-
Fund balances, July 1 (as restated)	721,799	721,799	721,799	-	223,692	223,692	223,692	-
Fund balances, June 30	806,165	806,165	806,167	(2)	186,702	186,702	186,702	-

**CITY OF WATSONVILLE, CALIFORNIA**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	BUSINESS DEVELOPMENT				ECONOMIC DEVELOPMENT			
	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final			Original	Final		
	\$	\$			\$	\$		
REVENUES:								
Licenses, permits and fees	96,884	96,884	96,884	-	-	-	-	-
Interest	798	798	798	-	-	-	-	-
Miscellaneous	-	-	-	-	2,392	2,392	2,393	1
Total revenues	97,682	97,682	97,682	-	2,392	2,392	2,393	1
EXPENDITURES:								
Current:								
General government	15,000	15,000	15,000	-	-	-	-	-
Total expenditures	15,000	15,000	15,000	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	82,682	82,682	82,682	-	2,392	2,392	2,393	1
OTHER FINANCING SOURCES (USES):								
Transfers (out)	(24,900)	(24,900)	(24,900)	-	-	-	-	-
Total other financing sources (uses)	(24,900)	(24,900)	(24,900)	-	-	-	-	-
Net changes in fund balances	57,782	57,782	57,782	-	2,392	2,392	2,393	1
Fund balances, July 1	149,489	149,489	149,489	-	-	-	26,017	26,017
Fund balances, June 30	207,271	207,271	207,271	-	2,392	2,392	28,410	26,018

**CITY OF WATSONVILLE, CALIFORNIA**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	LIBRARY				PARKS DEVELOPMENT			
	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final			Original	Final		
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES:								
Taxes	4,017,058	4,017,058	4,017,058	-	-	-	-	-
Licenses, permits and fees	11,532	11,532	11,532	-	271,147	271,147	271,147	-
Intergovernmental	63,430	63,430	63,430	-	-	-	-	-
Interest	4,948	4,948	4,948	-	7,629	7,629	7,628	(1)
Miscellaneous	9,750	9,750	9,750	-	-	-	-	-
Total revenues	4,106,718	4,106,718	4,106,718	-	278,776	278,776	278,775	(1)
EXPENDITURES:								
Current:								
Culture and recreation	3,155,170	3,155,170	3,155,170	-	199,281	199,281	199,281	-
Total expenditures	3,155,170	3,155,170	3,155,170	-	199,281	199,281	199,281	-
Excess (deficiency) of revenues over (under) expenditures	951,548	951,548	951,548	-	79,495	79,495	79,494	(1)
OTHER FINANCING SOURCES (USES):								
Transfers (out)	(187,697)	(187,697)	(187,697)	-	-	-	-	-
Total other financing sources (uses)	(187,697)	(187,697)	(187,697)	-	-	-	-	-
Net change in fund balances	763,851	763,851	763,851	-	79,495	79,495	79,494	(1)
Fund balances, July 1	1,213,286	1,213,286	1,213,286	-	2,155,092	2,155,092	2,155,092	-
Fund balances, June 30	1,977,137	1,977,137	1,977,137	-	2,234,587	2,234,587	2,234,586	(1)

**CITY OF WATSONVILLE, CALIFORNIA**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	RETIREMENT TAX				PARKING GARAGE			
	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final			Original	Final		
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES:								
Taxes	3,789,571	3,789,571	3,789,571	-	-	-	-	-
Licenses, permits, and fees	-	-	-	-	117,113	117,113	117,113	-
Miscellaneous	-	-	-	-	(40)	(40)	(39)	1
Total revenues	3,789,571	3,789,571	3,789,571	-	117,073	117,073	117,074	1
EXPENDITURES:								
Current:								
General government	1,147	1,147	1,147	-	180,141	180,141	180,141	-
Total expenditures	1,147	1,147	1,147	-	180,141	180,141	180,141	-
Excess (deficiency) of revenues over (under) expenditures	3,788,424	3,788,424	3,788,424	-	(63,068)	(63,068)	(63,067)	1
OTHER FINANCING SOURCES (USES):								
Transfers in	-	-	-	-	93,195	93,195	93,195	-
Transfers (out)	(3,631,386)	(3,631,386)	(3,631,386)	-	(7,330)	(7,330)	(7,330)	-
Total other financing sources (uses)	(3,631,386)	(3,631,386)	(3,631,386)	-	85,865	85,865	85,865	-
Net change in fund balances	157,038	157,038	157,038	-	22,797	22,797	22,798	1
Fund balances, July 1	370,717	370,717	370,717	-	(404,714)	(404,714)	(404,714)	-
Fund balances, June 30	527,755	527,755	527,755	-	(381,917)	(381,917)	(381,916)	1

**CITY OF WATSONVILLE, CALIFORNIA**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	MEASURES G/Y				ABANDONED VEHICLE			
	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final			Original	Final		
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES:								
Taxes	4,390,477	-	5,248,855	5,248,855	-	-	-	-
Licenses, permits and fees	100	25,268	25,268	-	62,878	62,878	62,878	-
Interest	50,000	11,881	11,881	-	-	-	-	-
Total revenues	4,440,577	37,149	5,286,004	5,248,855	62,878	62,878	62,878	-
EXPENDITURES:								
Current:								
Public safety	5,363,118	5,363,118	5,231,130	131,988	60,000	60,000	60,000	-
Total expenditures	5,363,118	5,363,118	5,231,130	131,988	60,000	60,000	60,000	-
Excess (deficiency) of revenues over (under) expenditures	(922,541)	(5,325,969)	54,874	5,380,843	2,878	2,878	2,878	-
OTHER FINANCING SOURCES (USES):								
Transfers (out)	(286,307)	(286,307)	(286,307)	-	-	-	-	-
Total other financing sources (uses)	(286,307)	(286,307)	(286,307)	-	-	-	-	-
Net change in fund balances	(1,208,848)	(5,612,276)	(231,433)	5,380,843	2,878	2,878	2,878	-
Fund balances, July 1	3,725,098	3,725,098	3,725,098	-	19,204	19,204	19,204	-
Fund balances, June 30	2,516,250	(1,887,178)	3,493,665	5,380,843	22,082	22,082	22,082	-

**CITY OF WATSONVILLE, CALIFORNIA**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	INCLUSIONARY HOUSING				SB 1 - GAS TAX			
	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final			Original	Final		
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUES:								
Taxes	-	-	-	-	1,032,484	1,032,484	1,032,484	-
Licenses, permits and fees	78,920	78,920	78,920	-	-	-	-	-
Charges for services	22,247	22,247	22,247	-	-	-	-	-
Interest	1,315	1,315	1,315	-	6,536	6,536	6,536	-
Miscellaneous	2,949	2,949	2,949	-	-	-	-	-
Total revenues	105,431	105,431	105,431	-	1,039,020	1,039,020	1,039,020	-
EXPENDITURES:								
Current:								
Housing	473,532	473,532	473,532	-	-	-	-	-
Streets	-	-	-	-	875,374	875,374	875,374	-
Total expenditures	473,532	473,532	473,532	-	875,374	875,374	875,374	-
Excess (deficiency) of revenues over (under) expenditures	(368,101)	(368,101)	(368,101)	-	163,646	163,646	163,646	-
OTHER FINANCING SOURCES (USES):								
Transfers (out)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net changes in fund balances	(368,101)	(368,101)	(368,101)	-	163,646	163,646	163,646	-
Fund balances, July 1	534,181	534,181	534,181	-	1,790,732	1,790,732	1,790,732	-
Fund balances, June 30	166,080	166,080	166,080	-	1,954,378	1,954,378	1,954,378	-

**CITY OF WATSONVILLE, CALIFORNIA****NONMAJOR SPECIAL REVENUE FUNDS****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	MEASURE D			
	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
	\$	\$	\$	\$
REVENUES:				
Taxes	1,260,173	1,260,173	1,260,173	-
Interest	9,889	9,889	9,889	-
Miscellaneous	215,326	215,326	215,326	-
Total revenues	1,485,388	1,485,388	1,485,388	-
EXPENDITURES:				
Current:				
Streets	505,797	505,797	505,797	-
Total expenditures	505,797	505,797	505,797	-
Excess (deficiency) of revenues over (under) expenditures	979,591	979,591	979,591	-
Net change in fund balance	979,591	979,591	979,591	-
Fund balance, July 1	2,586,078	2,586,078	2,586,078	-
Fund balance, June 30	3,565,669	3,565,669	3,565,669	-

**CITY OF WATSONVILLE, CALIFORNIA**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
	\$	\$	\$	\$
REVENUES:				
Intergovernmental	-	-	-	-
Total revenues	-	-	-	-
EXPENDITURES:				
Debt service:				
Principal	791,233	791,233	791,233	-
Interest and fiscal charges	42,297	42,297	42,297	-
Total expenditures	833,530	833,530	833,530	-
Excess (deficiency) of revenues over (under) expenditures	(833,530)	(833,530)	(833,530)	-
OTHER FINANCING SOURCES (USES):				
Transfers in	832,761	832,761	832,761	-
Total other financing sources (uses)	832,761	832,761	832,761	-
Net change in fund balance	(769)	(769)	(769)	-
Fund balance, July 1	246,758	246,758	246,758	-
Fund balance, June 30	245,989	245,989	245,989	-



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# STATISTICAL SECTION

This part of the City of Watsonville's comprehensive annual financial report presents detailed information as a context for the understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends	117
These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	
Revenue Capacity	122
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	
Debt Capacity	127
These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.	
Demographic and Economic Information	131
These schedules offer the demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.	
Operating Information	134
These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.	

SOURCE: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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**CITY OF WATSONVILLE, CALIFORNIA**

**Net Position By Component**  
**Last Ten Fiscal Years**  
 (accrual basis of accounting)  
 (amounts expressed in thousands)

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Governmental activities</b>										
Net investment in capital assets	121,354	118,302	114,148	110,806	111,256	108,892	110,033	109,660	108,607	111,205
Restricted	41,689	42,945	44,188	16,754	16,496	19,849	19,803	8,803	24,412	27,012
Unrestricted	(4,812)	(2,634)	(39,888)	(7,184)	(3,294)	475	(1,797)	6,712	(4162)	(4,102)
Total governmental activities net position	<u>158,231</u>	<u>158,613</u>	<u>118,448</u>	<u>120,376</u>	<u>124,458</u>	<u>129,216</u>	<u>128,039</u>	<u>125,175</u>	<u>133,019</u>	<u>134,115</u>
<b>Business-type activities</b>										
Net investment in capital assets	100,375	99,277	98,484	94,655	96,034	95,782	92,296	97,119	93,904	96,016
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	6,562	10,865	(2,581)	2,587	5,524	9,085	20,058	19,821	27,642	34,895
Total business-type activities net position	<u>106,937</u>	<u>110,142</u>	<u>95,903</u>	<u>97,242</u>	<u>101,558</u>	<u>104,867</u>	<u>112,354</u>	<u>116,940</u>	<u>121,546</u>	<u>131,195</u>
<b>Primary government</b>										
Net investment in capital assets	221,729	217,579	212,632	205,461	207,290	204,674	202,329	206,779	202,511	
Restricted	41,689	42,945	44,188	16,754	16,496	19,849	19,803	22,228	24,412	27012
Unrestricted	1,750	8,231	(42,469)	(4,597)	2,230	9,560	18,261	13,109		
Total primary government net position	<u>265,168</u>	<u>268,755</u>	<u>214,351</u>	<u>217,618</u>	<u>226,016</u>	<u>234,083</u>	<u>240,393</u>	<u>242,116</u>	<u>226,923</u>	<u>27,012</u>

**CITY OF WATSONVILLE, CALIFORNIA**

**Changes In Net Position**  
**Last Ten Fiscal Years**  
(accrual basis of accounting)  
(amounts expressed in thousands)

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Expenses:</b>										
Governmental activities:										
General government	7,140	11,773	5,494	7,151	8,257	7,032	15,143	13,812	8,599	12,246
Public safety	21,249	23,020	25,716	27,751	27,382	30,972	31,221	35,811	35,608	33,149
Housing	1,543	820	1,298	1,389	2,318	1,158	2,289	2,059	24,412	3,255
Highways and streets	7,110	6,708	4,697	3,043	6,348	5,974	8,561	6,931	8,652	6,050
Culture and recreation	7,511	7,334	7,916	8,613	7,817	8,591	9,152	9,850	(4162)	10,264
Interest on long term debt	346	189	132	112	146	158	491	78	123	42
Total government activities	44,899	49,844	45,253	48,059	52,268	53,885	66,857	68,541	77,394	65,006
Business-type activities:										
Water	11,249	11,001	11,583	15,537	13,851	12,038	13,996	19,378	15,960	16,095
Sewer	9,863	9,298	10,741	10,731	10,272	13,175	14,195	14,099	14,190	13,633
Solid Waste	8,557	8,699	10,136	9,181	10,976	12,758	11,925	12,567	19,189	14,355
Airport	3,347	2,888	2,580	2,225	2,684	3,382	5,118	3,803	4,235	4,470
Fiber Optic	-	-	-	8	41	46	68	59	69	64
Total business-type activities	33,016	31,886	35,040	37,682	37,824	41,399	45,302	49,906	53,643	48,617
									284	
Total primary government	77,915	81,730	80,293	85,741	90,092	95,284	112,159	118,447	131,037	113,623
<b>Program Revenues:</b>										
Governmental activities:										
Charges for services:										
General government	3,489	9,249	5,488	5,524	8,426	8,285	12,233	8,649	9,181	9,420
Public safety	1,623	1,549	1,396	1,853	1,780	1,875	822	874	821	777
Housing	97	1,619	391	-	675	289	866	782	667	
Highways and streets	1,579	2,501	1,585	1,858	2,284	2,663	1,057	799		
Culture and recreation	739	827	1,330	833	952	1,189	1,244	832	606	669
Operating grants and contributions	4,926	2,657	2,393	3,590	3,310	2,772	2,501	5,988	5,100	3,541
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	12,453	18,402	12,583	13,658	17,427	17,073	18,723	17,924	16,375	14,407
Business-type activities:										
Charges for services:										
Water	9,964	12,363	12,075	12,756	14,617	15,243	17,358	20,484	19,885	21,045
Sewer	9,128	10,864	10,046	14,307	12,069	12,475	13,444	14,153	15,119	16,366
Solid Waste	8,952	9,580	10,471	10,746	11,225	12,549	13,493	14,587	18,310	16,116
Airport	2,254	1,844	1,956	2,159	1,937	2,576	5,595	3,713	2,432	2,706
Fiber Optic	-	-	-	23	44	43	45	74	609	94
Operating grants and contributions	784	603	901	759	1,373	1,430	2,016	796	732	(20)
Capital grants and contributions	994	1,156	590	659	1,104	311	94	163	107	489
Total business-type activities program revenues	32,076	36,410	36,039	41,409	42,369	44,627	52,045	53,970	57,194	56,796

Continued

**CITY OF WATSONVILLE, CALIFORNIA**

**Changes In Net Position  
Last Ten Fiscal Years**  
(accrual basis of accounting)  
(amounts expressed in thousands)

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Net (expense) / revenue										
Governmental activities	(32,448)	(31,442)	(32,670)	(34,401)	(34,840)	(37,564)	(48,134)	(50,655)	(46,217)	(49,359)
Business-type activities	(939)	4,525	999	3,727	4,544	3,227	6,744	4,065	3,551	8,179
Total primary government net expense	<u>(33,387)</u>	<u>(26,917)</u>	<u>(31,671)</u>	<u>(30,674)</u>	<u>(30,296)</u>	<u>(34,337)</u>	<u>(41,390)</u>	<u>(46,590)</u>	<u>(42,666)</u>	<u>(41,180)</u>
<b>General Revenues and Other Changes in Net Position</b>									(4162)	
Governmental activities:										
Taxes										
Property taxes	12,383	12,090	11,868	12,846	13,300	13,436	15,669	16,243	16,169	16,977
Sales taxes	9,276	11,436	13,988	16,693	16,083	18,393	19,369	19,075	22,232	24,408
Utility users taxes	3,068	3,029	3,437	3,183	3,679	4,019	4,011	4,265	3,994	4,144
Franchise taxes	417	365	404	456	471	436	460	458	563	538
Other taxes	1,069	1,120	1,295	1,457	1,792	2,060	3,125	2,906	2,610	3,618
Intergovernmental revenue not restricted	1,235	1,686	1,475	1,120	1,009	1,048	1,021	1,139	1,434	1,727
Transfers	171	211	226	232	308	270	272	251	246	284
Unrestricted investment earnings	2,173	1,890	1,916	2,098	2,218	2,660	3,030	3,416	2,531	2,857
Total governmental activities	<u>29,792</u>	<u>31,827</u>	<u>34,609</u>	<u>38,085</u>	<u>38,860</u>	<u>42,322</u>	<u>46,957</u>	<u>47,753</u>	<u>49,779</u>	<u>54,553</u>
Business-type activities:										
Transfers	(171)	(211)	(226)	(231)	(308)	(270)	(272)	(251)	(246)	
Other Revenue	-	-	-	-	-	-	-	-	1,274	1,296
Unrestricted investment earnings	291	263	269	201	206	352	1,014	811	70	239
Total business-type activities	<u>120</u>	<u>52</u>	<u>43</u>	<u>-30</u>	<u>(102)</u>	<u>82</u>	<u>742</u>	<u>560</u>	<u>1,098</u>	
Total primary government	<u>29,912</u>	<u>31,879</u>	<u>34,652</u>	<u>38,055</u>	<u>38,758</u>	<u>42,404</u>	<u>47,699</u>	<u>48,313</u>		
<b>Change in net position before extraordinary item</b>										
Governmental activities	(2,656)	385	1,939	3,683	4,020	4,758	(1,177)	(2,863)	3,605	5,258
Business-type activities	(819)	4,577	1,043	3,696	4,442	3,309	7,486	4,586	4,606	9,366
Total primary government	<u>(3,475)</u>	<u>4,962</u>	<u>2,982</u>	<u>7,379</u>	<u>8,462</u>	<u>8,067</u>	<u>6,309</u>	<u>1,723</u>	<u>8,211</u>	<u>14,624</u>
<b>Extraordinary items</b>										
Governmental activities	-	-	-	-	-	-	-	-	-	-
Total primary government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in net position</b>										
Governmental activities	(2,656)	385	1,939	3,683	4,020	4,758	(1,177)	(2,863)	3,605	5,258
Business-type activities	(819)	4,577	1,043	3,696	4,442	3,309	7,486	4,586	4,606	9,366
Total primary government	<u>(3,475)</u>	<u>4,962</u>	<u>2,982</u>	<u>7,379</u>	<u>8,462</u>	<u>8,067</u>	<u>6,309</u>	<u>1,723</u>	<u>8,211</u>	<u>14,624</u>

Concluded

**CITY OF WATSONVILLE, CALIFORNIA**

**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)  
(amounts expressed in thousands)

	<b>Fiscal Year</b>									
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
General fund										
Nonspendable	65	56	35	3,365	2,965	2,588	123	114	308	147
Restricted	-	-	-	-	-	-	-	-	-	-
Unassigned	4,428	1,881	4,595	4,228	6,057	10,342	13,144	16,478	18,253	18,228
Total general fund	<u>4,493</u>	<u>1,937</u>	<u>4,630</u>	<u>7,593</u>	<u>9,022</u>	<u>12,930</u>	<u>13,267</u>	<u>16,592</u>	<u>18,561</u>	<u>18,375</u>
All other governmental funds										
Restricted, reported in										
Special revenue funds	12,069	12,021	14,566	18,216	17,880	20,926	20,607	22,465	24,778	27,107
Debt service funds	87	79	72	125	131	123	129	238	247	246
Unassigned	(1,021)	(910)	(1,069)	(770)	(740)	(728)	(615)	(475)	(404)	(381)
Total all other governmental funds	<u>11,135</u>	<u>11,190</u>	<u>13,569</u>	<u>17,571</u>	<u>17,271</u>	<u>20,321</u>	<u>20,121</u>	<u>22,228</u>	<u>24,621</u>	<u>26,972</u>

**CITY OF WATSONVILLE, CALIFORNIA**

**Net Change in Fund Balances of Governmental Funds**

**Last Ten Fiscal Years**

(modified accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenues</b>										
Taxes	27,448	29,725	32,466	35,754	36,198	39,392	43,655	42,029	45,583	49,693
Licenses, permits, and fees	2,757	4,855	5,248	5,795	5,885	6,642	5,971	5,315	3,378	5,848
Intergovernmental	4,530	3,032	2,458	3,336	3,410	3,455	3,417	9,167	5,734	5,735
Charges for services	4,704	2,447	2,458	2,945	2,770	3,224	3,072	3,534	3,396	3,523
Fines	588	622	552	690	737	723	708	24,412	462	593
Interest	2,309	2,084	2,076	2,168	2,435	2,869	3,405	3,280	2,529	2,844
Special assessment	229	92	91	77	60	58	50	(4162)	-	-
Miscellaneous	475	825	1,995	2,810	1,871	2,491	3,007	3,826	3,940	3,785
Total revenues	43,040	43,682	47,344	53,575	53,366	58,854	63,285	91,563	65,022	72,021
<b>Expenditures</b>										
Current:										
General government	6,407	10,447	5,574	6,989	7,556	7,978	13,062	11,330	10,089	14,262
Public safety	20,353	20,406	22,707	24,860	24,271	26,744	30,459	30,543	30,012	33,544
Housing	1,566	820	1,298	1,389	2,318	1,158	2,289	2,059	4,159	3,057
Streets	6,509	5,972	4,252	1,672	5,772	5,385	8,759	8,911	7,827	8,770
Culture and recreation	6,051	6,505	7,172	7,090	7,079	7,837	9,406	9,076	8,297	9,383
Capital outlay	1,134	1,581	817	3,286	4,833	2,404	-	-	284	7,463
Debt service:										
Principal	1,381	439	495	429	478	463	730	797	2,391	785
Interest and fiscal charges	299	195	159	183	173	161	220	82	147	49
Total expenditures	43,700	46,365	42,474	45,898	52,480	52,130	64,925	62,798	63,206	77,313
Excess (deficiency) of revenues over (under) expenditures	(660)	(2,683)	4,870	7,677	886	6,724	(1,640)	28,765	1816	(5,292)
<b>Other financing sources (uses)</b>										
Bond/note proceeds	695	191	-	-	-	-	1,541	144	1,649	-
Transfers in	4,388	3,238	3,340	3,692	3,562	4,464	5,457	4,750	6,171	4,795
Transfers out	(4,217)	(3,309)	(3,150)	(3,496)	(3,290)	(4,230)	(5,222)	(4,535)	(5,926)	(4,510)
Total other financing sources (uses)	866	120	190	196	272	234	1,776	359	1,894	285
Net change in fund balances before extraordinary items	206	(2,563)	5,060	7,873	1,158	6,958	136	29,124	3,995	(5,007)
Extraordinary items	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	206	(2,563)	5,060	7,873	1,158	6,958	136	29,124	3,995	(5,007)
Debt service as a percentage of noncapital expenditures	**	**	**							
	8.1%	4.1%	1.4%	1.6%	1.5%	1.4%	1.5%	1.4%	4.31%	1.31%



**CITY OF WATSONVILLE, CALIFORNIA**

**General Governmental Tax Revenues By Source**

**Last Ten Fiscal Years**

(modified accrual basis of accounting)

(amounts expressed in thousands)

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Franchise Tax</b>	<b>Utility User Tax</b>	<b>Other Tax</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$
2013	12,090	11,436	365	3,029	1,120	28,040
2014	12,090	11,436	365	3,029	1,120	28,040
2015	11,868	13,988	404	3,437	1,295	30,992
2016	12,846	16,693	455	3,183	1,457	34,634
2017	13,300	16,083	471	3,679	1,793	35,326
2018	13,436	18,393	436	4,019	3,108	39,392
2019	15,669	19,369	460	4,011	3,125	42,634
2020	16,243	19,075	458	4,265	2,906	42,947
2021	16,169	22,232	563	3,994	2,610	45,568
2022	16,977	24,408	538	4,144	3,618	49,685

Source: City of Watsonville Finance Department

**CITY OF WATSONVILLE, CALIFORNIA**

**Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years**  
(amounts expressed in thousands)

<b>Fiscal Year Ended June 30</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Other Property</b>	<b>Unsecured Property</b>	<b>Less: Tax Exempt Property</b>	<b>Taxable Assessed Value</b>	<b>Total Direct Tax Rate (1)</b>	<b>Estimated Actual Taxable Value</b>	<b>Assessed Value as a % of Actual Taxable Value</b>
	\$	\$	\$	\$	\$	\$	\$	%	\$	%
2013	2,025,747	565,486	102,758	336,060	217,213	177,934	3,069,330	1.15	3,069,330	1.00
2014	2,091,245	544,645	103,080	329,813	212,372	171,985	3,109,170	1.18	3,109,170	1.00
2015	2,316,558	548,165	106,401	350,110	231,586	185,687	3,367,133	1.18	3,367,133	1.00
2016	2,456,187	563,026	115,344	361,791	235,517	200,675	3,531,190	1.18	3,531,190	1.00
2017	2,606,044	626,252	135,130	394,814	229,211	229,936	3,761,515	1.16	3,761,515	1.00
2018	2,757,691	609,505	168,676	435,526	259,425	252,874	3,977,950	1.17	3,977,950	1.00
2019	2,727,533	583,841	442,945	421,714	262,350	222,957	4,215,426	1.16	4,215,426	1.00
2020	2,858,513	618,090	470,547	459,879	277,705	246,737	4,437,997	1.09	4,437,997	1.00
2021	3,002,026	640,089	485,947	410,766	276,813	205,383	4,610,258	1.16	4,610,258	1.00
2022	3,150,126	671,837	505,514	456,649	275,930	249,202	4,810,854	1.09	4,810,854	1.00

**Notes:**

Source: HDL, Coren & Cone

(1.) Total Direct Tax Rate is represented by TRA 02-021

(2.) Estimated Actual Value is derived from a series of calculations comparing median assessed values from 1940 to current median sale prices. Based on these calculations a multiplier value was extrapolated and applied to current assessed values.

**CITY OF WATSONVILLE, CALIFORNIA**

**Property Tax Rates - Direct  
and Overlapping  
(Per \$100 of Assessed Value)  
Last Ten Years**

<b>Year</b>	<b>Basic Countywide Levy</b>	<b>School Districts</b>	<b>Retirement</b>	<b>Total</b>
2013	1.000	0.075	0.077	1.152
2014	1.000	0.109	0.077	1.186
2015	1.000	0.098	0.077	1.175
2016	1.000	0.101	0.077	1.178
2017	1.000	0.086	0.077	1.163
2018	1.000	0.094	0.077	1.171
2019	1.000	0.081	0.077	1.158
2020	1.000	0.087	0.077	1.164
2021	1.000	0.084	0.077	1.161
2022	1.000	0.090	0.077	1.167

Source: HDL, Coren & Cone

**CITY OF WATSONVILLE, CALIFORNIA**  
**Principal Property Taxpayers**  
**June 30, 2021**  
(amounts expressed in thousands)

	<b>2022</b>			<b>2013</b>		
	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>
	<b>\$</b>		<b>%</b>	<b>\$</b>		<b>%</b>
S Martinelli And Company	51,517	1	1.14%	35,107	2	1.22%
MPT of Watsonville	49,731	2	1.03%			
New Horizons Affordable Housing and Dev	48,900	3	1.08%			
OW George Jr. Trustte, etal	35,139	4	0.77%	16,902	7	0.59%
Freedom Associates LLC	27,654	5	0.61%	20,198	3	0.70%
Blackbird Homes LLC	27,180	6	0.60%			
William J and Neva J Hansen Co Trustees	25,403	7	0.56%			
Save Mart Portfolio Owner Fund V Ca	25,000	8	0.55%			
bridge Paloma Associates LLC	24,170	9	0.53%			
111 Jennings Drive LLC	23,224	10	0.51%			
WRI Freedom Center Lp				17,943	6	0.62%
Dayton Hudson Corporation				15,866	8	0.55%
Watsonville Hospital Corp				58,289	1	2.02%
Harvest Drive Properties LLC				19,839	4	0.69%
Hd Development of Maryland Inc				18,648	5	0.65%
Granite Construction Co				15,791	9	0.55%
Carl E Best 1999 Trust				15,209	10	0.53%
Totals	<u>337,918</u>		<u>7.38%</u>	<u>233,792</u>		<u>8.12%</u>

Source: HDL, Coren & Cone

**CITY OF WATSONVILLE, CALIFORNIA**

**Property Tax Collection  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Total * Tax Levy</b>	<b>Current Tax * Collections</b>	<b>Percent Of Levy Collected</b>	<b>Supplemental Tax Collections</b>	<b>Delinquent Tax * Collections</b>	<b>Total Tax Collections</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
2013	7,125,579	7,125,579	100%	30,475	-	7,156,054
2014	8,242,044	8,242,044	100%	69,092	-	8,311,136
2015	7,837,187	7,837,187	100%	112,079	-	7,949,266
2016	7,801,004	7,801,004	100%	117,264	-	7,918,268
2017	8,615,411	8,615,411	100%	200,484	-	8,815,895
2018	8,605,570	8,605,570	100%	225,296	-	8,830,866
2019	10,536,951	10,536,951	100%	238,730	-	10,775,681
2020	10,859,042	10,859,042	100%	212,455	-	11,071,497
2021	10,732,446	10,732,446	100%	127,234	-	10,859,680
2022	11,026,084	11,026,084	100%	352,022	-	11,378,106

Source: City of Watsonville

\*Property Tax collection equals property Tax collected due to agreement with the County of Santa Cruz.  
With this agreement the City does not receive any Delinquent tax collection.

**CITY OF WATSONVILLE, CALIFORNIA**

**Ratio of Outstanding Debt By Type  
Last Ten Fiscal Years**

(amounts expressed in thousands, except per capita amount)

<b>Fiscal Year</b>	<b>Governmental Activities</b>			<b>Business-Type Activities</b>			<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
	<b>General Obligation Debt</b>	<b>Special Assessment Debt</b>	<b>Capital Leases</b>	<b>Revenue Bonds</b>	<b>Loans &amp; Notes</b>	<b>Capital Leases</b>			
	\$	\$	\$	\$	\$	\$	\$		
2013	5,241	467	86	31,064	5,321	-	42,179	5.81%	0.817
2014	5,082	379	-	30,313	8,181	-	43,955	4.90%	0.852
2015	4,676	290	-	29,057	11,124	-	45,147	5.22%	0.875
2016*	4,254	214	-	677	347	-	5,492	0.59%	0.104
2017	3,818	149	-	461	582	-	5,010	0.50%	0.092
2018	3,406	98	-	235	922	-	4,661	0.47%	0.090
2019	4,283	49	-	-	1,639	-	5,971	0.59%	0.113
2020	3,679	-	-	-	1,693	-	5,372	0.50%	0.104
2021	2,938	-	-	-	8,150	-	11,088	1.24%	0.216
2022	2,153	-	-	-	7,371	-	9,524	0.94%	0.219

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

1 See the Schedule of Demographic and Economic Statistics for the personal income and population data.

\* Water Revenue Bonds were removed on 6/30/2016

**CITY OF WATSONVILLE, CALIFORNIA**

**Ratio of Net General Obligation Debt Outstanding  
Last Ten Fiscal Years**  
(amounts expressed in thousands, except per capita amount)

<b>Fiscal Year</b>	<b>General Obligation Debt</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property</b>	<b>Per Capita</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>		<b>\$</b>
2013	5,082	87	4,995	0.16%	1,033
2014	4,676	79	4,597	0.15%	1,123
2015	4,676	72	4,604	0.15%	1,121
2016	4,254	125	4,129	0.13%	1,250
2017	3,818	131	3,687	0.12%	1,438
2018	3,406	123	3,283	0.09%	1,615
2019	4,283	129	4,154	0.10%	1,276
2020	3,679	238	3,441	0.08%	1,497
2021	2,938	247	2,691	0.06%	1,909
2022	2,153	246	1,907	0.04%	2,657

Note: Detail of the City's outstanding debt can be found in the notes to the financial statements.

See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for estimated actual property value data.

Population data can be found in the Schedule of Demographic and Economic Statistics

**CITY OF WATSONVILLE, CALIFORNIA**

**Legal Debt Margin Information  
Last Ten Fiscal Years**  
(amounts expressed in thousands)

	<b>Fiscal Year</b>									
	<u><b>2013</b></u>	<u><b>2014</b></u>	<u><b>2015</b></u>	<u><b>2016</b></u>	<u><b>2017</b></u>	<u><b>2018</b></u>	<u><b>2019</b></u>	<u><b>2020</b></u>	<u><b>2021</b></u>	<u><b>2022</b></u>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Debt limit	121,772	123,043	133,232	139,945	149,679	158,656	166,439	175,678	181,450	189,752
Total net debt applicable to limit	5,241	5,082	4,676	4,129	3,687	3,283	4,154	3,441	2,691	1,907
Legal debt margin	<u>114,555</u>	<u>118,367</u>	<u>128,556</u>	<u>135,816</u>	<u>145,992</u>	<u>155,373</u>	<u>162,285</u>	<u>172,237</u>	<u>178,759</u>	<u>187,845</u>
Total net debt applicable to the limit as a percentage of debt limit	4.304%	4.130%	3.510%	2.950%	2.463%	2.069%	2.496%	1.959%	1.483%	1.005%

Legal Debt Margin Calculation for Fiscal Year 2022

Assessed value	\$4,810,855
Add back: exempt real property	<u>249,202</u>
Total assessed value	5,060,057
Debt Limit = 3.75% of assessed valuation	189,752
Debt applicable to limit	2,153
Less: Amount set aside for repayment of general obligation debt	<u>246</u>
Total net debt applicable to limit	<u>1,907</u>
Legal debt margin	<u><u>\$ 187,845</u></u>

Source: City of Watsonville



# CITY OF WATSONVILLE, CALIFORNIA

## Computation of Direct and Overlapping Bonded Debt June 30, 2022

(amounts expressed in thousands, except per capita amount)

Jurisdiction	Total Debt Outstanding \$	Percentage Applicable	Estimated Share of Overlapping Debt \$
<b>Direct Debt:</b>			
City of Watsonville	2,153	100%	2,153
<b>Total of Direct Debt</b>			2,153
<b>Overlapping Tax Debt:</b>			
Cabrillo Joint Community College District	9,548	9.14%	873
Pajaro Valley Unified School District	43,719	26.56%	11,610
Santa Cruz County General Fund Obligations	8,178	9.22%	754
Santa Cruz County Office of Education General Fund Obligations	700	9.22%	65
Pajaro Valley Joint Unified School District Certificates of Participation	3,344	26.56%	888
City of Watsonville General Fund Obligations	3,754	100.00%	3,754 (1)(2)
Successor Agency	6,885	100.00%	6,885
<b>Total Overlapping Debt</b>	<u>76,128 (3)</u>		<u>24,829</u>
<b>Total Direct and Overlapping Bonded Debt</b>	78,281		<u>24,831</u>

Source: California Municipal Statistics, Inc

(1) Excludes the Bonds

(2) Includes share of Santa Cruz County Emergency Communication Center obligations (\$480,963).

(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

**CITY OF WATSONVILLE, CALIFORNIA**

**Demographic and Economic Statistics  
Last Ten Fiscal Years**

<b><u>Fiscal Year</u></b>	<b><u>Population (1)</u></b>	<b><u>Personal (2) Income (amounts expressed in thousands) \$</u></b>	<b><u>Per Capita Personal Income \$</u></b>	<b><u>Median Age (3)</u></b>	<b><u>Education Level in Years of Formal Schooling</u></b>	<b><u>School (4) Enrollment</u></b>	<b><u>Unemployment Rate</u></b>
2013	51,612	873,974	16.934	29.2	N/A	20,001	19.4%
2014	52,508	896,824	17.080	29.7	N/A	20,362	19.3%
2015	52,087	864,719	16.601	29	N/A	20,438	19.2%
2016	52,891	934,271	17.664	29.9	N/A	20,354	19.2%
2017	53,015	981,527	18.514	30.1	N/A	20,400	19.2%
2018	53,434	1,052,216	19.692	29.7	N/A	20,279	19.3%
2019	53,021	1,014,448	19.133	29.7	N/A	20,106	10.4%
2020	51,515	1,068,567	20.742	30.3	N/A	18,616	10.1%
2021	51,366	1,122,733	21.857	30.3	N/A	19,772	14.8%
2022	50,669	1,183,950	23.366	30.9	N/A	18,675	13.6%

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Source: MuniServices, LLC & Data Reporting Office Ca. Dept of Ed.

1.) Population Projections are provided by the California Department of Finance Projections.

2.) Income Data is derived from previous income adjusted for inflation.

3.) Unemployment Data is provided by the EDD's Bureau of Labor Statistics Department.

4.) Student Enrollment reflects the total number of students enrolled in the Pajaro Valley Unified School District. Other School Districts w/in the City are not accounted for in this statistics.

**CITY OF WATSONVILLE, CALIFORNIA**

**Principal Employers  
Current Fiscal Year and Ten Years Ago**

	<b>2022</b>			<b>2013</b>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Pajaro Valley Unified School District *	2,300	1	9.54%	2,066	1	11.95%
Watsonville Community Hospital	658	3	2.73%	662	2	3.83%
Granite Construction	566	4	2.35%			
Salud Para La Gente	445	5	1.85%			
City of Watsonville	390	6	1.62%	362	5	2.09%
Lakeside Organic Gardens LLC	300	7	1.24%			
Nordic Naturals, Inc	278	8	1.15%			
S Martinelli & Co.	275	9	1.14%	180	8	1.04%
FedEx Ground Package Systems, INC	233	10	0.97%			
West Marine Products				407	4	2.35%
Fox Factory				400	3	2.31%
Target				237	6	1.37%
Del Mar Food Products, Inc				200	7	1.16%
Mi Pueblo Food Center				172	9	1.00%
Couch Distributing				165	10	0.95%
Total	<u>5,445</u>		<u>22.59%</u>	<u>4,851</u>		<u>28.06%</u>

Source: BL Data, MuniServices, LLC & Called Employers

Source: 2012-2013 previously published CAFR

\* Includes Certificated, classified & Admin.

(1) Total City Labor Force provided by EDD Labor Force Data

<https://www.labormarketinfo.edd.ca.gov/data/labor-force-and-unemployment-for-cities-and-census-areas.html>

**CITY OF WATSONVILLE, CALIFORNIA**

**Full-time Equivalent City Government Employees by Function  
Last Ten Fiscal Years**

<b>Function</b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>
General Government	6	6	7	7	9	9	9	9	10	11
Community Development	13	14	13	11.5	14	15	16	16	12	15
Finance	22	17	16	16	10	10	11	11	10	10
Fire	36	35	41	41	40	42	43	43	31	31
Informaion Services *	n/a	n/a	n/a	n/a	8	8	8	9	11	16
Police:										
Officers	73	68	64	67.2	66	75	75	75	71	75
Civilians	19	17	22	26	27	22	24	23	21	19
Library	29	29	29	27.41	25	25	26	27	23	22
Parks & Community Services	27	27	27	25.88	26	29	29	26	22	24
Public Works	16	16	16	14	14	13	15	15	15	12
Airport	9	9	9	9	9	10	13	13	10	11
LLMAD	1	1	1	1	1	1	1	1	1	1
Gas Tax	n/a	n/a	n/a	n/a	0	2	4	4	3	3
Parking Garage	0	0	0	0	0	0	0	0	0	0
Redevelopment and Housing	4	4	4	5.2	3	4	4	4	5	4
Solid Waste	37	38	36	44	46	49	43	43	43	44
Wastewater	44	46	47	49	53	55	59	59	52	53
Water	27	31	34	35	38	41	44	44	44	39
	<u>363</u>	<u>358</u>	<u>366</u>	<u>379.19</u>	<u>389</u>	<u>410</u>	<u>424</u>	<u>422</u>	<u>384</u>	<u>390</u>

\* Information Services was created and moved out of General Government.

Source: City of Watsonville's Biennial Budget documents.

**CITY OF WATSONVILLE, CALIFORNIA**

**Operating Indicators by Function  
Last Ten Fiscal Years**

<b>Function</b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>
<b>General Government:</b>										
City Council meetings	24	22	27	19	21	25	25	23	22	34
Resolutions processed	169	153	181	199	187	192	180	229	282	285
<b>Community Development:</b>										
Planning application reviews	332	259	393	361	369	423	442	396	230	501
Construction inspections	1784	1851	1725	1165	2933	3828	3624	2904	1029	3557
Building Permits	852	625	768	817	862	1034	810	758	1493	927
<b>Finance:</b>										
Payroll checks issued	12336	12203	12327	12511	12547	13323	13028	13045	11200	12973
Utility accounts	14618	14685	15023	15024	14985	15043	15070	14556	14474	14104
A/P checks issued	7484	7460	7313	7517	7644	7588	8062	7695	6890	6904
<b>Fire:</b>										
Field incidents dispatched	4092	4123	4282	4282	4997	5070	5286	5427	6539	6271
<b>Information Services:</b>										
Client Computers	450	542	542	531	531	646	646	682	698	609
<b>Library:</b>										
Items used/checked out	259986	262929	411234	411234	439234	272468	326888	303137	34242	53238
<b>Parks &amp; Community Services:</b>										
Registered Participants	628	506	549	475	479	413	297	335	48	1972
<b>Police:</b>										
Moving and Parking Citations	11204	9876	10524	11105	12747	9600	15659	9738	8721	15466
Service Calls Dispatch	62126	61239	65288	69668	67632	65635	44386	56901	53730	54239
URC Crime Rate	27	25	39	40	43	38	34	34	30	28
(# crimes/1,000 population, calendar years)										
<b>Wastewater:</b>										
Avrg. Annual volume per day septage treated (in million gallons)	7	8	8	3	3	4	5	5	6	8
<b>Water:</b>										
Water production (acre feet)	7761	8133	7163	6597	6648	7102	6906	7882	7100	6950
<b>Solid Waste:</b>										
Refuse handled (tons)	32995	32607	40204	41389	36028	34286	35109	35202	39898	33373
Recycled material (tons)	5847	6041	4946	7466	7081	8188	7070	6050	5808	7869

Source: City of Watsonville departments

**CITY OF WATSONVILLE, CALIFORNIA**

**Capital Assets Statistics by Function  
Last Ten Fiscal Years**

<b>Function</b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>
<b>Fire:</b>										
Stations	2	2	2	2	2	2	2	2	2	2
<b>Police:</b>										
Patrol units	18	18	17	17	17	22	22	22	22	26
Patrol motorcycles	6	6	4	5	5	5	5	6	6	5
<b>Library:</b>										
Buildings	2	2	2	2	2	2	2	2	2	2
<b>Parks &amp; Community Services:</b>										
Parks	21	21	26	26	26	26	26	26	26	26
Acreage of parks	85.0	85.0	143.0	143.0	143.0	143.0	143.0	143	143	143.0
Community Centers	6	6	5	5	5	5	6	8	8	7
<b>Public Works:</b>										
Miles of streets	96	96	89	89	89	89	89	89	89	84.1
<b>Airport:</b>										
Runways	2	2	2	2	2	2	2	2	2	2
<b>Wastewater:</b>										
Treatment plants	1	1	1	1	1	1	1	1	1	1
Capacity of treatment plant*	12.1	12.1	12.1	12.1	12.1	12.1	12.1	12.1	12.1	12.1
*(gallons per day in millions)										
<b>Water:</b>										
Maximum pumping capacity*	18.7	18.7	19.1	19.1	19.1	19.1	19.1	19.1	19.1	19.1
Average consumption*	6.3	6.3	6.1	5.9	5.9	5.9	6.2	7	7	6
*(gallons per day in millions)										
<b>Solid Waste:</b>										
Collection trucks	16	16	16	19	19	20	20	25	25	25

Source: City of Watsonville departments

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